

FOUNDATION



The 2018 Annual Report



The 2018 Annual Report

Building a strong foundation

A structure is only as strong as its foundation—and a company is only as strong as its values.

In 2018, Eagle Cement reinforced its commitment to help build the infrastructure of the nation, and to improve the quality of life of Filipinos. Despite challenges, Eagle emerged even stronger and is now poised to expand its reach and role even further.

About the Company

GRI 102-1, GRI 102-2, GRI 102-4

Eagle Cement Corporation (Eagle) is a fully integrated Company primarily engaged in the business of manufacturing, marketing, selling, and distributing cement. Eagle is the fourth largest cement player in terms of sales volume in the Philippines. It started its commercial operations in 2010.

Eagle was incorporated and registered with the Securities and Exchange Commission (SEC) on June 21, 1995. The Company's common shares were listed on the Philippine Stock Exchange (PSE) via initial public offering on May 29, 2017. Eagle is a 60.21%-owned subsidiary of Far East Cement Corporation.

The competitive strength of Eagle is founded on its end-to-end production strategy, which seamlessly integrates critical raw material sourcing with modern manufacturing technology resulting in one of the most efficient cement manufacturing operations in the country. Eagle has the single largest integrated plant production capacity in terms of cement output in the Philippines through its primary cement production facility located in Barangay Akle, San Ildefonso, Bulacan. The Bulacan Cement Plant consists of three integrated production lines with a combined annual cement production capacity of 7.1 million metric tonnes (MMT) or approximately 180 million bags per annum. This is inclusive of the 12 million bags of cement per annum produced by its grinding and packaging facility in Limay, Bataan. The Bulacan Cement Plant is strategically located near demand-centric areas and in close proximity to its raw materials.

The Company offers Type 1P or bagged cement and Type 1 or bulk cement products. Type 1P is sold under "Eagle Cement Advance" brand and is used for general construction applications such as floorings and plastering as well as the production of concrete products like hollow blocks, culverts, and concrete pipes. Type 1 is sold under "Eagle Cement Strongcem" brand and is used for cement and concrete applications that require higher compressive and early strength development such as concrete slabs, foundations, and matting in high-rise buildings and infrastructures like roads and bridges. Eagle currently distributes its products only in the Luzon region, particularly in NCR and in Regions I, II, III, and 1V-A.

The Company has two wholly-owned subsidiaries, namely, South Western Cement Corporation (SWCC) and KB Space Holdings, Inc. (KSHI). SWCC is organized primarily for the manufacture and sale of cement and its by-products and owns mineral rights in Malabuyoc, Cebu. KSHI is a land-holding company that owns several parcels of prime commercial land in Mandaluyong City.

Vision

GRI 102-16

Our vision is to be a global leader in the building materials industry and to improve people's quality of life through our products. We will achieve this by being the most efficient, flexible, and innovative cement company in the local cement industry as we create a lasting brand.

Mission

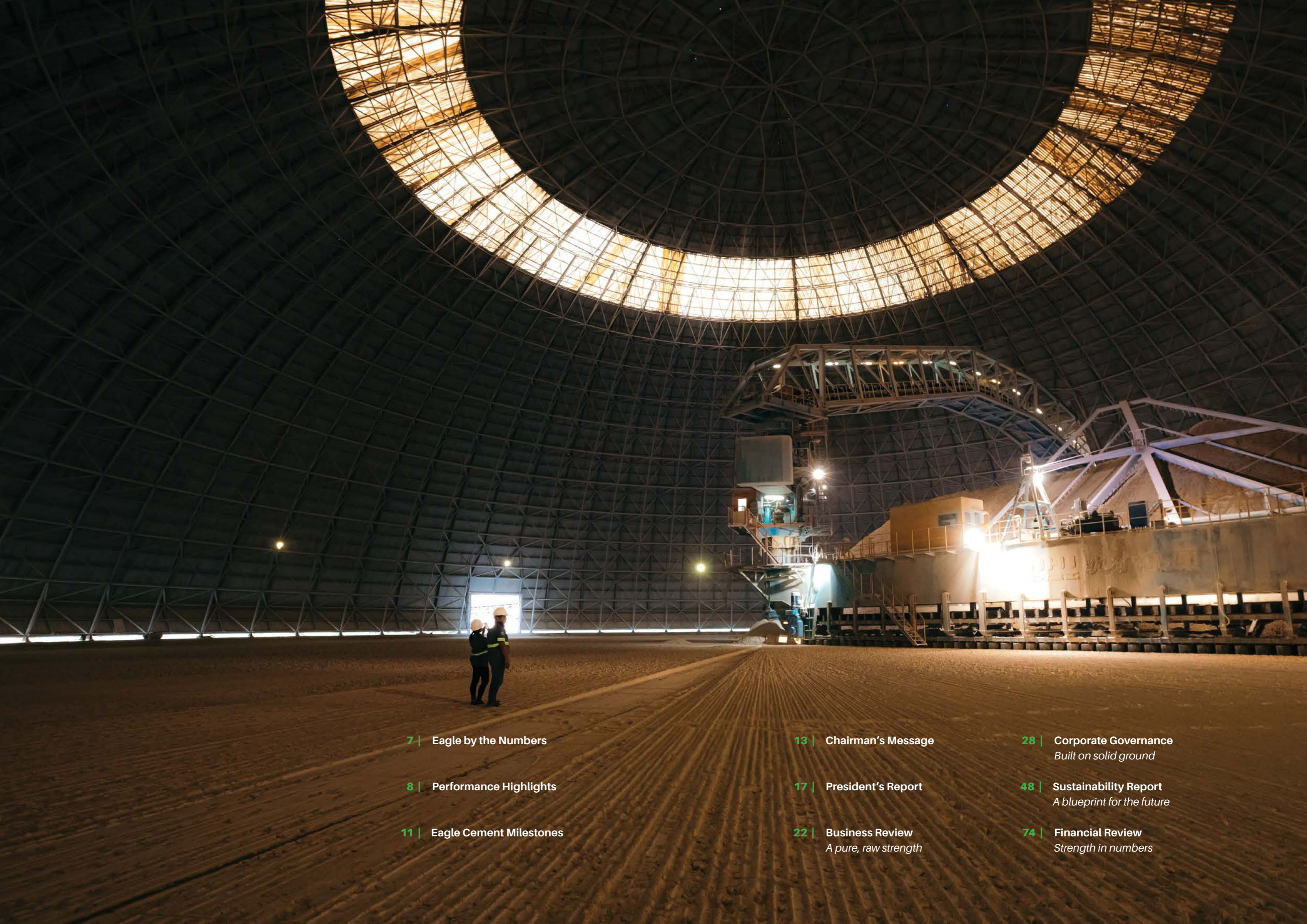
We have an ongoing commitment to sustainable development and growing company profit in order to maintain these four objectives:

1. Create better value for our customers through frugal innovation to make us the ideal business partner
2. Continue to serve our local communities
3. Meet the highest standards in the responsible use of our natural resources
4. Empower the lives of our family of employees

Values

- D** Discipline - Observes and complies with the company's rules and regulations. Manages one's self without need for reproach. Abides by legal and statutory requirements without expecting in return.
- I** Integrity - Takes ownership of shortcomings and exerts all means to correct them. He/she is also brave and open enough to hold others accountable all the time. Is truthful and acts in good faith. Values and acts for the company's best interests as if he/she is an owner.
- R** Respect for People - Communicates with others using proper word, tone, and mindset. Encourages others to express their thoughts, ideas, and feelings. Provides time to listen to others' concerns. Gives honest and helpful feedback, cultivating an environment where employees learn and grow. Treats all employees with respect and dignity regardless of position. Willing to help others.
- E** Excellence - Works smart and has passion for innovation. Initiates continuous improvement in every aspect of his/her work - believing that there is always a better way. A great leader whatever his/her position is. Being assertive and able to balance different work situations.
- C** Customer Focus - Driven to meet client's needs, expectations, and commitments. Handles with urgency all customer concerns—internal and external. Consistently delights customers in terms of outputs.
- T** Teamwork - Bringing together knowledge, experience, and skills to achieve the common goals with other team members. A good leader/follower and puts the project/goals first before one's own interests.





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Strength in numbers

EAGLE BY THE NUMBERS



3 Integrated Production Lines in a single plant



7.1 Million Metric Tonnes (180 Million cement bags) Total Annual Cement Capacity

4.2 Million Metric Tonnes Total Annual Clinker Capacity

10% Sales Volume Growth



₱16.5Bn (+11%) Net Sales

₱77.3Bn Market Capitalization

₱6.8Bn (+9%) EBITDA

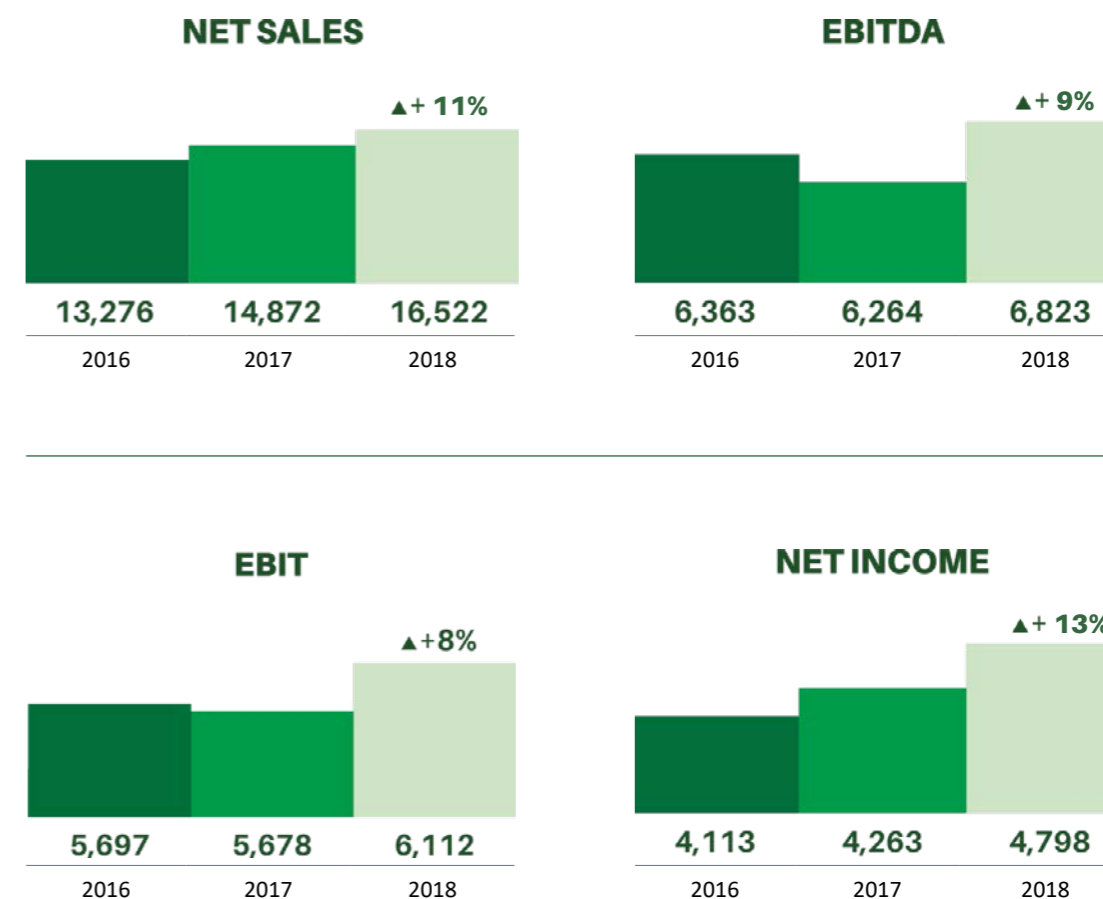
₱45.5Bn Total Assets

₱4.8Bn (+13%) Net Income

₱32.8Bn Total Stockholders' Equity

PERFORMANCE HIGHLIGHTS

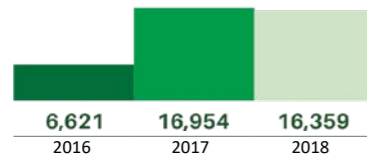
FINANCIAL HIGHLIGHTS
(in Million Php)



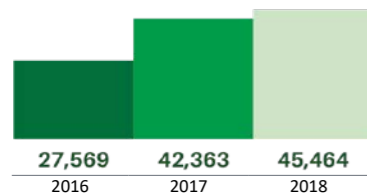
FINANCIAL HIGHLIGHTS
(in Million Php)

Financial Position

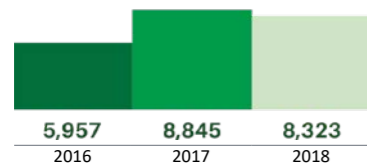
CASH AND OTHER FINANCIAL ASSETS



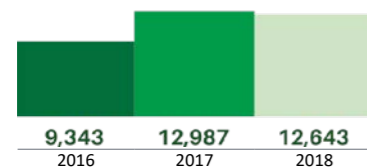
TOTAL ASSETS



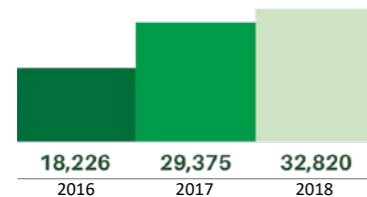
TOTAL INTEREST BEARING LOANS



TOTAL LIABILITIES



STOCKHOLDER'S EQUITY



Statement of Cash Flows

	2018	2017	2016
Net cash provided by operating activities	4,691	5,458	6,208
Net cash used in investing activities	(2,872)	(4,749)	(3,121)
Net cash provided by (used in) financing activities	(2,398)	9,407	(924)

Financial Ratios

	2018	2017	2016
Current Ratio	4.17	4.94	3.34
Debt to Equity*	0.25	0.30	0.33
Net Debt to Equity	-0.24	-0.28	-0.04
Return on Equity	0.15	0.18	0.25
Return on Assets	0.12	0.13	0.18

*total interest bearing loans/equity

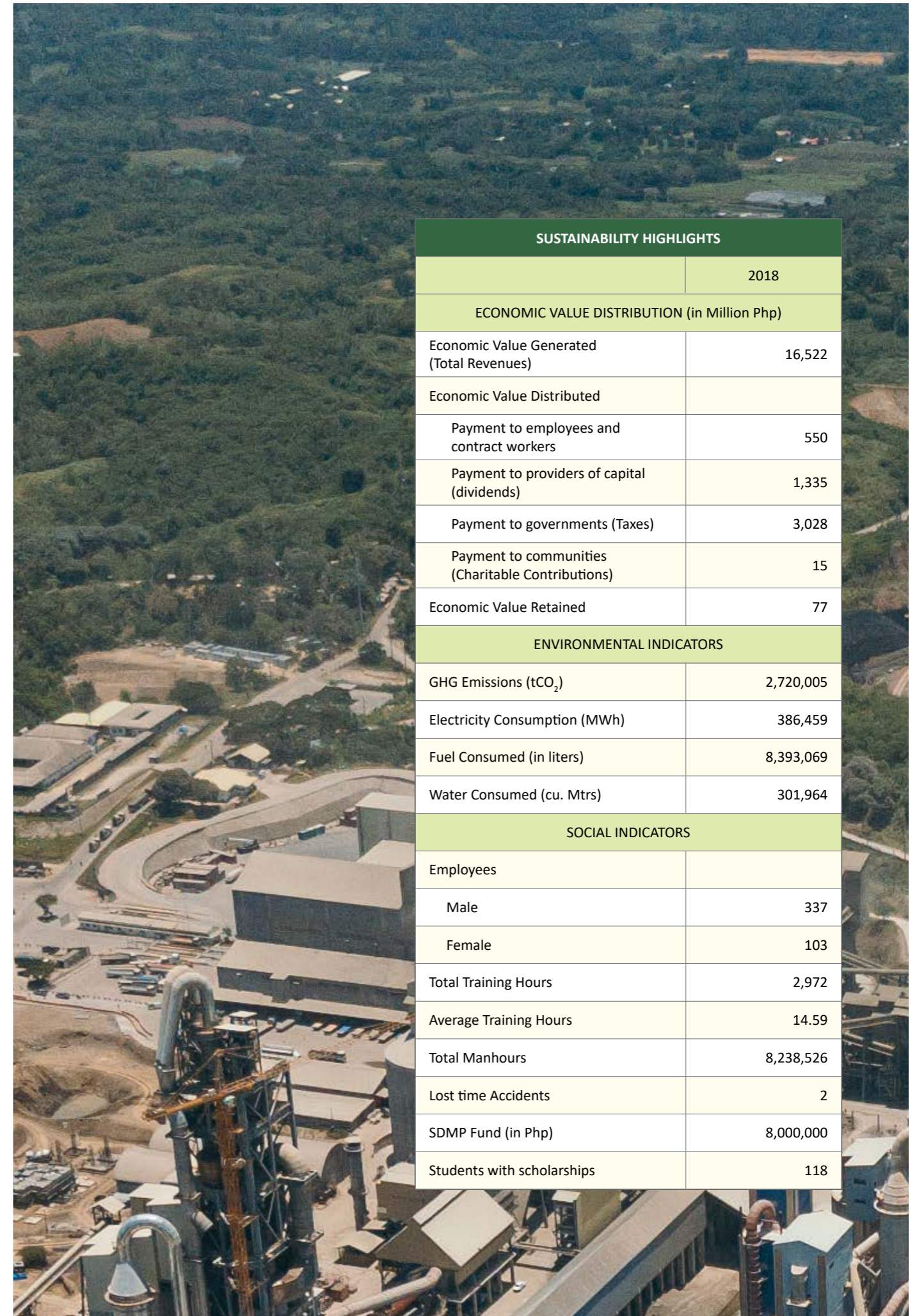
Stock Information

	2018	2017	2016
Stock Price (Php/Share)	15.46	14.78	-
Market Capitalization	77,300	73,900	-
Earnings per Share	0.92	0.85	0.88

OPERATIONAL HIGHLIGHTS

	2018	2017	2016
Annual Cement Capacity (in MMT)	7.1	5.1	5.1
Annual Clinker Capacity (in MMT)	4.2	2.8	2.8
Integrated Production Lines	3	2	2
Distribution Centers	4	3	3

SUSTAINABILITY HIGHLIGHTS	
	2018
ECONOMIC VALUE DISTRIBUTION (in Million Php)	
Economic Value Generated (Total Revenues)	16,522
Economic Value Distributed	
Payment to employees and contract workers	550
Payment to providers of capital (dividends)	1,335
Payment to governments (Taxes)	3,028
Payment to communities (Charitable Contributions)	15
Economic Value Retained	77
ENVIRONMENTAL INDICATORS	
GHG Emissions (tCO ₂)	2,720,005
Electricity Consumption (MWh)	386,459
Fuel Consumed (in liters)	8,393,069
Water Consumed (cu. Mtrs)	301,964
SOCIAL INDICATORS	
Employees	
Male	337
Female	103
Total Training Hours	2,972
Average Training Hours	14.59
Total Manhours	8,238,526
Lost time Accidents	2
SDMP Fund (in Php)	8,000,000
Students with scholarships	118



EAGLE CEMENT MILESTONES

1995

Eagle was incorporated in the Philippines and registered with the SEC on June 21, 1995.

2006

Eagle was registered with Board of Investments (BOI) as a new producer of cement on a pioneer status with non-pioneer incentives in December 2006.

2007

In October 2007, Eagle started the construction of its first Bulacan integrated production line (Line 1) with a total annual cement and clinker capacity of 2.6 MMT and 1.4 MMT, respectively.

2010



In July 2010, the Eagle Cement Advance brand was launched in the market and made its mark in the cement industry. Eagle's Line 1 was fully commissioned in November 2010. The Company was also granted an income tax holiday by the BOI for the Bulacan Cement Plant in December.

2011

This year marks Eagle's first full year of commercial operations of Line 1.

2012



The Company launched the Eagle Cement Strongcem brand in the market in February 2012.

2013

Three years after the start of commercial operations of Line 1, Eagle started the construction of its second fully integrated production line (Line 2) in the same facility, adding 2.0 MMT of annual cement capacity. Eagle also completed and commissioned its Waste Heat Recovery (WHR) facility in September 2013 with an equivalent power generation capacity of 6.3 MW. It is the first cement manufacturing company to install a WHR facility in the Philippines, allowing a reduction in power costs.

2015

Eagle acquired KB Space Holdings in August 2015.

2014

In order to elevate the quality standards of Eagle's operations and products to meet the requirements of its customers and stakeholders—while taking into account that quality is consistently improved as needed—the Company was awarded in June 2014 the ISO-9001 certification for the implementation of the Quality Management System. In the same year, Eagle acquired the Limay Grinding Plant in Bataan.

2017



Eagle launched the Eagle Cement Exceed brand in the market. On May 29, 2017, the Company debuted on the PSE via initial public offering under the ticker symbol "EAGLE".

2018



Eagle's Line 3 started its commercial operations in May 2018 and was fully commissioned in end-December 2018. This line added 2.0 MMT of cement capacity, bringing the Bulacan plant's total annual cement capacity to 7.1 MMT by end-2018.

2016



In July 2016, Eagle commenced its Line 2 commercial operations. During the same year, Eagle started building its third integrated production line (Line 3) in Bulacan. South Western Cement Corp. was acquired by the Company in December. In November, Eagle was awarded the ISO certification for the implementation of Integrated Management System (IMS) for the Manufacture of Portland Cement and Blended Hydraulic Cement with Pozzolan.



Chairman's Message GRI 102-14

In 2018, the Philippines stood as one the fastest-growing economies in Asia, next to India, Vietnam, and China.

The country's GDP expanded by 6.2%, dampened by the surge in inflation which tempered household consumption and investment spending. However, this was cushioned by higher construction spending in line with the government's thrust in its push for infrastructure development. Despite the slowdown in economic growth, the macroeconomic fundamentals of the country remain resilient.

From this perspective, it was another remarkable and successful year for Eagle Cement amid the challenges along the way. This year was punctuated by several key accomplishments even as competitive pressures impacted our industry. Our San Ildefonso, Bulacan plant celebrated its 10th year and we completed building our third integrated production line (Line 3) in the same facility, reinforcing our position as the single largest cement plant in the country.

Investment in the country's infrastructure is seen as one of the key drivers of economic activity in the Philippines over the next few years, and as such, we want to make sure that Eagle is well positioned with increased capacities and new facilities to meet consumption requirements in the future. In the span of ten years, we have more than doubled our total annual cement capacity from 2.6 million metric tons (MMT) to 7.1 MMT, growing rapidly in the latter half of the decade when we installed, in addition to our first line, two more integrated production lines in 2016 and 2018.

“Investment in the country's infrastructure is seen as one of the key drivers of economic activity in the Philippines over the next few years, and as such, we want to make sure that Eagle is well positioned with increased capacities and new facilities to meet consumption requirements in the future.”



We are currently working on additional grinding capacity, a fifth finish mill that will, add 1.5 MMT to our total annual output once the grinding mill is completed in 2020. Our new line and grinding mill are part of an expansion strategy that will, in the medium-term, reduce the cost to produce cement while at the same time, improve quality and efficiency of our operations and products.

The results of these initiatives were apparent in our performance as Eagle delivered strong financial growth on all counts, with net sales and net profit posting double-digit growth. Strong demand for our products resulted in an exceptional fourth quarter, with net income growing 36%. Sales also picked up in the last quarter of the year, rising by some 19%. Our positive earnings growth and healthy margins enabled us to distribute cash dividends of P1.3 billion.

The surge of imported cement over the last few years has made it harder for domestic manufacturers to compete in terms of pricing. Yet, Eagle has been able to hold its own; margins remained at healthy levels, better than industry average. We expect our productivity initiatives company-wide to drive margin expansion in the years ahead.

“Our foundation is built on a strong commitment to social progress, environmental stewardship and business success. Sustainability defines our business culture and at Eagle, business performance is ever more closely linked to a balanced development model, respectful of the environment and the communities we serve.”

Moving forward, we are bullish about our prospects. The cement industry has been in the forefront of the massive infrastructure development of the government. The building of the subway, mass transit, and new airports will further lift demand for cement and related products and will be stimulators for the economy’s growth over the next few years. And while presence of imports remains a challenge, we are confident that our Company can compete with the very best in the industry. We will use our scale and distribution to drive business efficiency, and grow our brands through strong marketing and innovation.

The theme of this year’s annual report is “Foundation” and as a Company, ours is built on a strong commitment to social progress, environmental stewardship, and business success. Sustainability defines our business culture and at Eagle, business performance is ever more closely linked to a balanced development model, respectful of the environment and the communities we serve. Please read through our sustainability report to learn more about our initiatives.

In closing, I thank the board of directors for their guidance and support in positioning Eagle for long-term growth. I would like to acknowledge the many important accomplishments and contributions of our management team and employees and to our stakeholders for their vote of confidence and continued commitment. I also would like to express our deepest gratitude to our solid network of distributors who provide unparalleled service to our customers. To our shareholders, thank you for your unwavering trust and confidence in every step that we undertake. Your commitment gives us confidence that Eagle will build on its record of delivering superior returns to shareholders in the years ahead.

We have undeniably laid a strong foundation for Eagle and we will move further and shift our gears into the next wave of growth by helping build a sustainable future for Filipino communities.



Ramon S. Ang
Chairman

President's Report

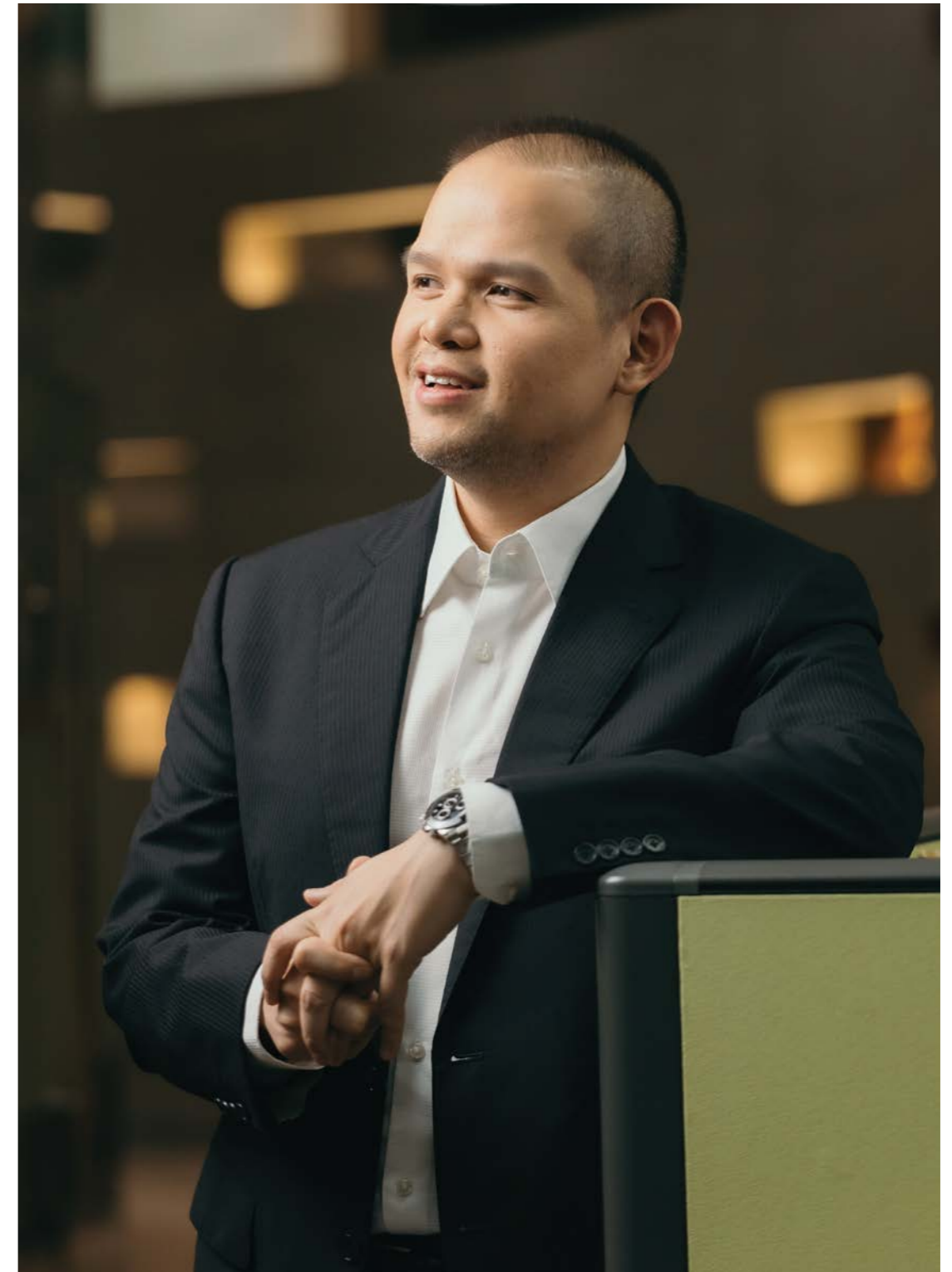
From 2.6 million metric tonnes (MMT) with our first integrated production line in 2010, to 7.1 MMT at the end of 2018—we have almost tripled our total annual cement capacity.

We continue to solidify the cornerstone of Eagle, building from strength to strength, from the inception of our single largest integrated Bulacan plant in 2010, and on through 2016 and 2018, as we completed two more integrated production lines.

2018 was indeed another exciting year for Eagle Cement. We may have been hit by challenges this year but we are able to manage to end the year with stable growth across the board, without wavering on our mission of improving people's quality of life through our products.

We have reached historic highs and were able to sustain our growth trajectory. We have recorded net sales of P16.5 billion, 11% better relative to 2017, propelled by the double-digit sales volume growth. EBITDA grew by 9% to P6.8 billion, representing a margin of 41%. Net income went up by 13% to P4.8 billion, with margin kept steady at the 29% level.

“2018 was indeed another exciting year for Eagle Cement. We may have been hit by challenges this year but we are able to manage to end the year with stable growth across the board without wavering on our mission of improving people's quality of life through our products.”



₱16.5Bn (+11%)
Net Sales

₱6.8Bn (+9%)
EBITDA

₱4.8Bn (+13%)
Net Income

₱77.3Bn Market Capitalization

₱45.5Bn Total Assets

₱32.8Bn Total
Stockholders'
Equity

With our solid performance in 2018, we have been isolated from the downturn of the market. Our stock was able to perform 4.6% better than 2017, giving us a market capitalization of P77.3 billion at the end of the year, and outperforming the broader market index. We are especially proud that the value of our stock has kept pace with our performance and our shareholders have been rewarded for their faith in our ability to deliver value for their investment.

Our balance sheet remains optimal and well-capitalized, with total assets growing by 7% to P45.5 billion while liabilities declined by 3% to P12.6 billion. Equity stood at P32.8 billion, up by 12%. Our current gearing gives us flexibility to still pursue our investment plans moving forward, with debt-to-equity ratio at 0.39x and financial debt to equity ratio registering at 0.25x. This is still well below our loan covenant requirements.

We remain aggressive and committed to achieving organic growth, as well as leveraging on the accelerating local cement demand coming from the thriving property sector, as well as the private and public sector thrust for infrastructure development in the country. We continuously seek opportunities and invest heavily in order to expand our foothold to become a nationwide cement player. By combining intensified capacity expansion with streamlined supply chain and heightened marketing efforts, we will strengthen our market position in the country.

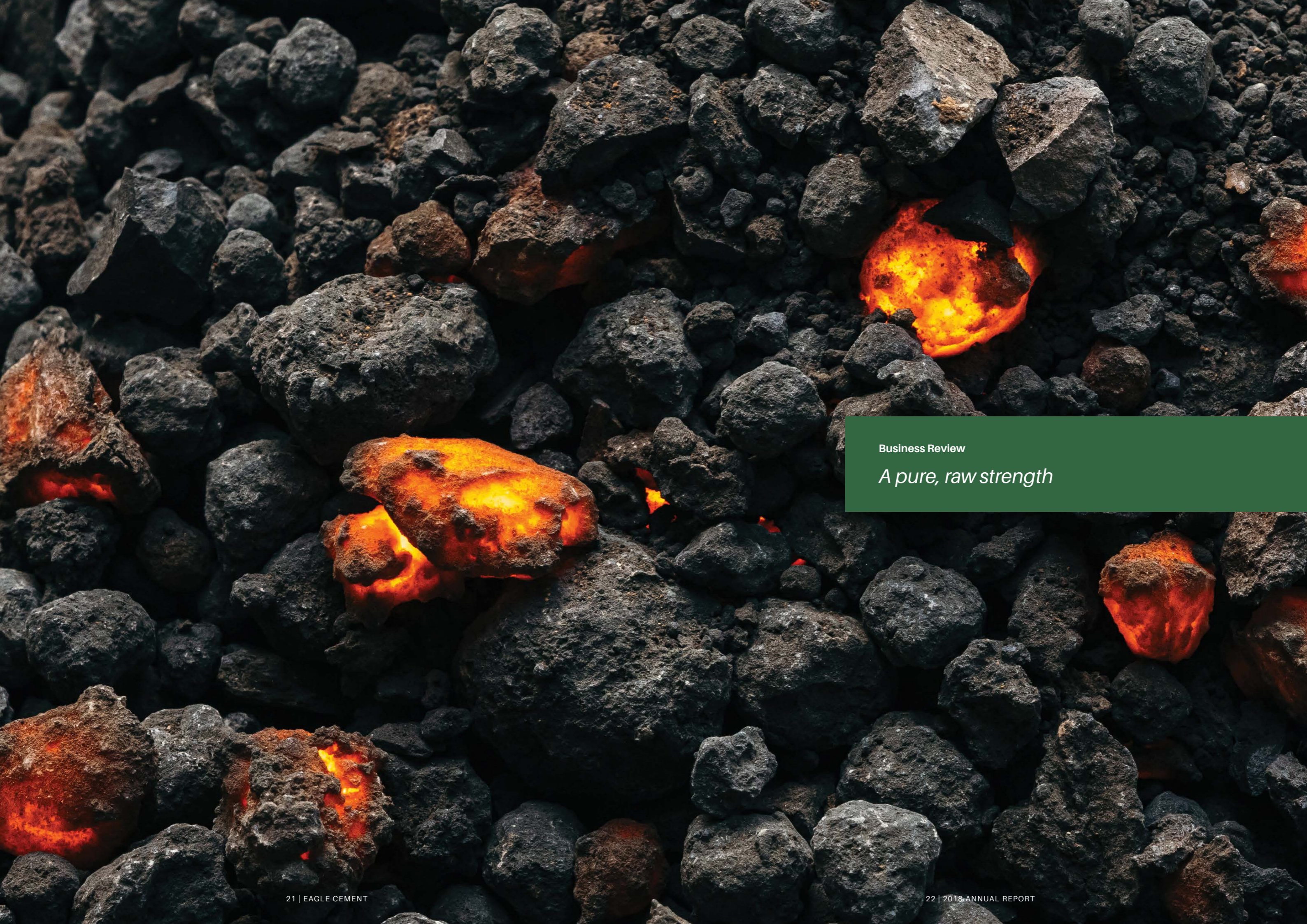
Recently, we announced another expansion for our Bulacan plant. Our fifth finish mill is underway which is slated to be completed by 2020, increasing our annual cement capacity by 1.5 MMT to 8.6 MMT.

“We continuously seek for opportunities and invest heavily in order to expand our foothold to become a nationwide cement player. By combining intensified capacity expansion with streamlined supply chain and heightened marketing efforts, we will strengthen our market position in the country.”

For our Line 4 in Malabuyoc, Cebu, there have been some delays in securing the Special Use Agreement in Protected Areas (SAPA) permit needed to operate the port, and our target completion is now scheduled in the first half of 2021. Despite this setback, we are confident we will still be able to sell cement in the Visayas region by end-2020. In a highly competitive environment amid rising input and other costs, we believe that our investment in distribution and improvements in supply chain efficiency will give Eagle a clear competitive advantage over our peers.

I thank all our stakeholders, our employees, the management team, and the Board for your utmost support and trust in Eagle, as we continue to create long-lasting value not only for our shareholders but also for the community in which we operate. I am confident that the strong foundation that we have built will enable our Company to sustain our growth in the future.


John Paul Ang
President & CEO



Business Review

A pure, raw strength

Eagle Cement Corporation has established the solid foundation for long-term growth almost ten years back.

Guided by the vision to improve the Filipino’s quality of life through products that last for generations, and stimulated by the Company’s quest to sustain growth, Eagle will continue building the blocks of the future for Filipinos in the years ahead.

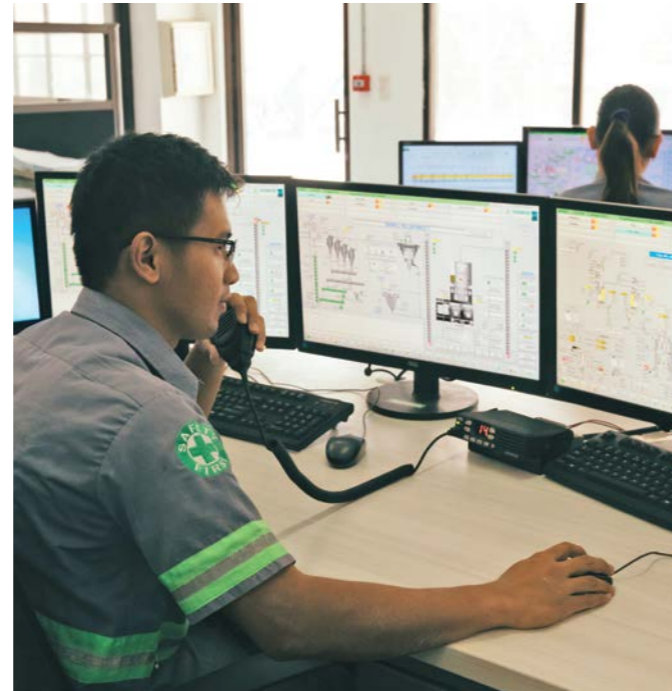
As the country’s fourth largest cement player in terms of sales volume, there is still a long way to go for Eagle. This status has been hard-earned over the years since the Company began introducing its products in 2010, competing with well-known brands produced by multinational cement manufacturers.

Delivering robust results

Eagle has been consistent in delivering solid results across the board since it started supplying the market with its products. Topline revenue has seen a compounded annual growth rate of 14% over the past four years.

In 2018, Eagle recorded net sales of P16.5 billion, propelled by the 10% growth in sales volume. The Company’s revenue is accounted largely by bagged cement or Type 1P at 80% while the remaining 20% is comprised by bulk cement or Type 1. Gross profit margin registered at 44%. EBITDA ended the year at P6.8 billion, 9% higher relative to the previous year. EBIT grew by 8% to P6.1 billion, with margin at 37%. Net income in 2018 went up by 13% to P4.8 billion, with net income margin kept at 29%. Eagle enjoys income tax holiday for three years as an expanding producer for Line 3.

The Company has a diverse customer base and is not reliant on any single customer—no single customer represents 20% or more of total net sales.



The Company’s research and development activities form part of the function of the Quality and Process Departments, which spent a total of P88.6 million, P22.7 million, and P23.1 million in 2018, 2017, and 2016, representing 0.5%, 0.2%, and 0.2% of total net sales, respectively.

Penetrating key growth areas

In September 2018, Eagle inaugurated its fourth and largest distribution center in Pangasinan in Region I, with storage capacity of 200,000 cement bags. This will serve provinces up north and will enable the Company to penetrate key growth areas in the region. Eagle President and CEO Paul Ang said, “We believe these markets, though not yet mature, will soon be a potential catalyst for our Company and will allow us to further solidify our position in Luzon. We are pleased with the positive reception in this new market as we grow our presence there.”



GRI 102-9

To date, Eagle has four distribution centers strategically situated in Paranaque (National Capital Region), Cavite (Region IVA), Batangas (Region IVA), and Pangasinan (Region I). These are complemented by a fleet of about 300 cargo trucks, 300 trailers, and 200 bulk carriers operated by third party service providers comprising a network that can efficiently reach the most important markets in NCR and its developing suburban areas, as well as nearby fast-growing provincial markets. Eagle’s distribution network supplies cement products to about 87 dealers all over NCR and Region IVA.

There are three channels utilized by Eagle in distributing its products to its customers. The first one is via distributor sales, where the cement is delivered to the warehouse of distributors, which then profit from the sale of cement to small scale dealers such as construction and hardware stores. The second channel is through dealer sales, where cement is directly delivered to the dealers which then profit from the sale of cement to end-

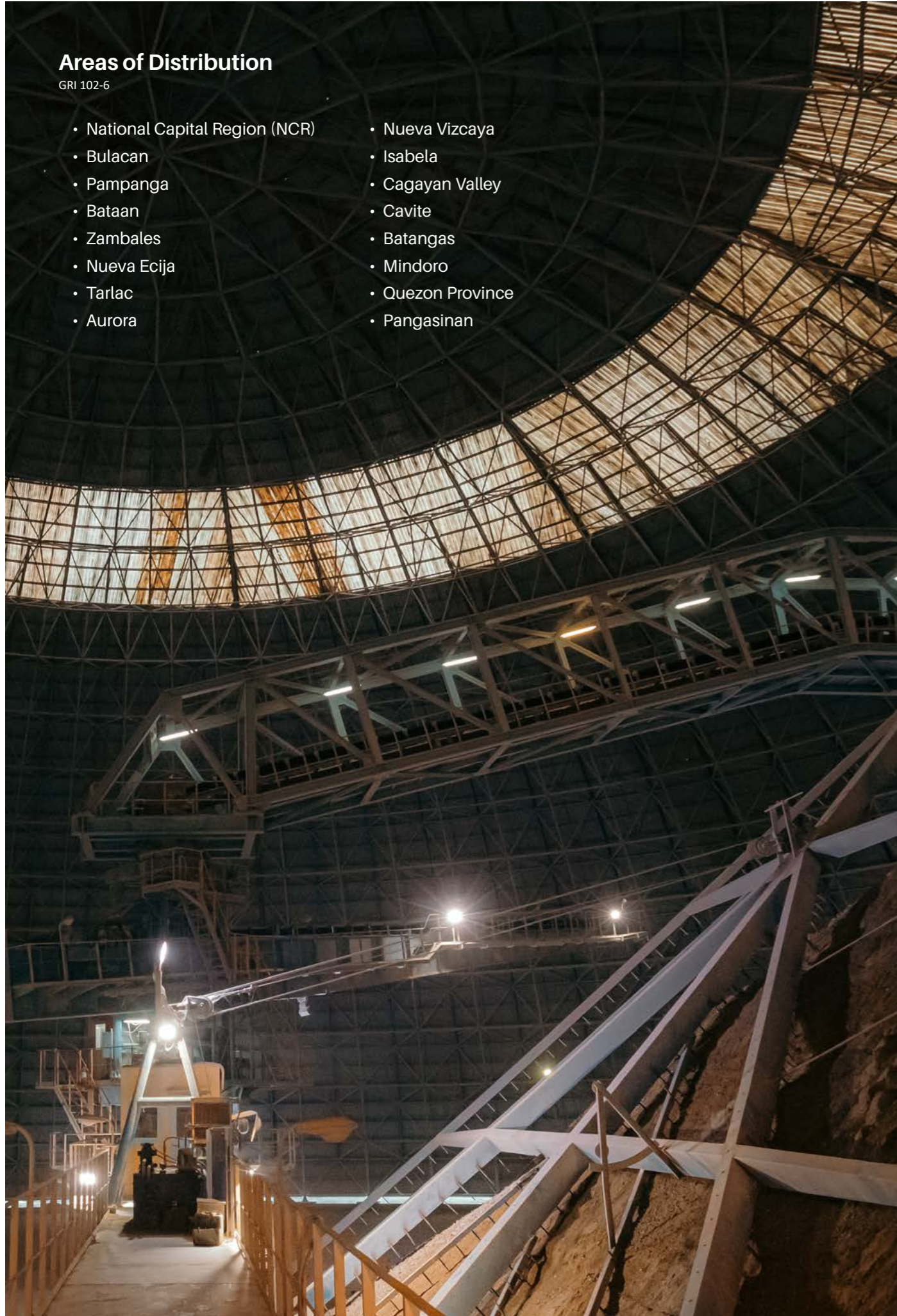
users such as households and other home builders. The third channel is through customer pick up or ex-plant sales, which are common with large distributors (which have their own transportation infrastructure), concrete product manufacturers, and large-scale real estate and/or industrial contractors.

Eagle’s utmost strength is a fully-integrated business model that puts together both the manufacturing and streamlined supply chains, and harnesses distribution and a dealership network in the markets that it serves today.

Areas of Distribution

GRI 102-6

- National Capital Region (NCR)
- Bulacan
- Pampanga
- Bataan
- Zambales
- Nueva Ecija
- Tarlac
- Aurora
- Nueva Vizcaya
- Isabela
- Cagayan Valley
- Cavite
- Batangas
- Mindoro
- Quezon Province
- Pangasinan



Line 3 commissioned

After the second integrated line was commissioned in 2016, Eagle immediately broke ground for its third line in the same cement facility. In December 2018, the Company completed Line 3, with annual cement capacity of 2.0 million metric tonnes (MMT), increasing total combined cement output of the three lines to 7.1 MMT. This reflects Eagle's positive outlook towards the industry as it continues building to meet the growing cement requirements of the country. The opening of the third production line will allow Eagle to better serve new markets in Regions IV and V.

Expansion in the works

Eagle continuously executes its expansion plans to ride on the tremendous growth prospects of the industry. The Company is currently building an additional 1.5 MMT cement capacity with the construction of its fifth finish mill. This new grinding facility will augment annual cement installed capacity in Bulacan to 8.6 MMT by 2020.

Unlocking new markets

Eagle's fourth integrated production line (Line 4), being constructed in Malabuyoc, Cebu, is another testament that the Company remains steadfast in expanding its business to meet the increasing local demand for cement. The new cement plant will increase Eagle's capacity by another 2.0 MMT. Line 4 likewise was granted an income tax incentive as a new producer of cement on a non-pioneer status with pioneer incentive for six years.

The Cebu Cement Plant will be a fully-integrated plant built to manufacture cement using the raw materials to be extracted under the Mineral Production Sharing Agreements (MPSAs) of the Company in the province

of Cebu. Majority of the cement produced will be dispatched from the plant by sea to a network of bulk cement distribution terminals across the Visayas and Mindanao. Aside from the manufacturing plant in Cebu, the Company will also construct port facilities and cement terminals in Southern Luzon, Visayas, and Mindanao such as, but not limited to, the following areas: Camarines Sur, Camarines Norte, Bacolod, Iloilo, Negros Occidental, Negros Oriental, Palawan, Sorsogon, Leyte, and Davao.

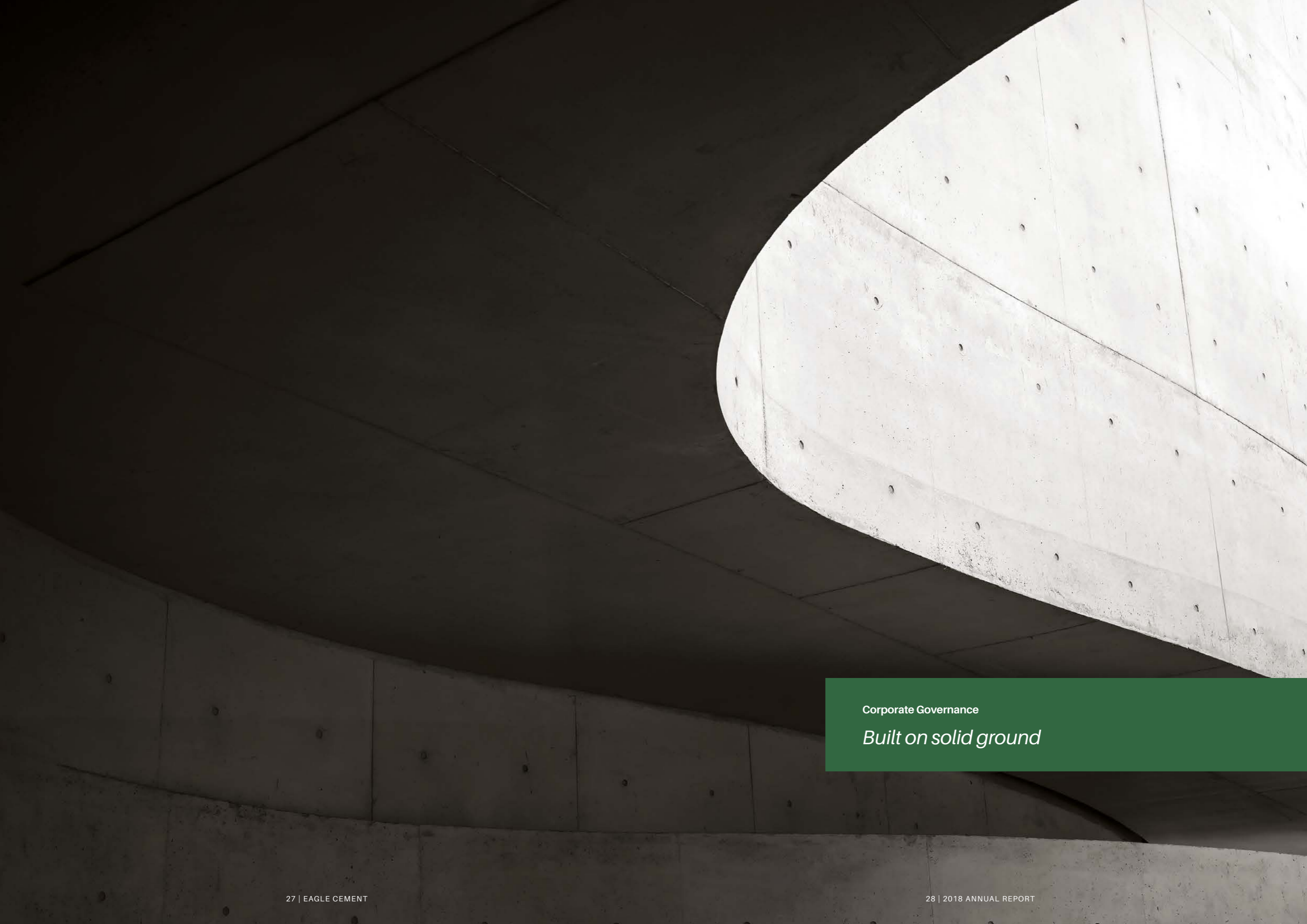
Eagle, however, has pushed back the completion of Line 4 due to the delays in securing the permit needed to operate the port; target completion is now scheduled for 2021. Despite these delays, the Company will still be able to sell cement in the Visayas region by end 2020.

According to Ang, "We remain bullish as reflected with our aggressive capacity expansion to broaden our market presence as well as create a strong foothold in the south. By the end of 2021, we will have a total of 10.6 MMT of annual cement capacity that will strategically position us as a strong nationwide cement player."

Looking beyond

While infrastructure development has shown signs of picking up, the country's per capita cement consumption still remains relatively low. In spite of the construction activities across the country, it still lags behind its regional peers. This is clear proof that the cement industry will further grow, in line with the growth of the country's economy.

Having laid out a strong base for the long haul of Eagle's business, the Company will continue exploring more opportunities in the years ahead to strengthen its foundation, taking on a vital role in the country's changing horizon.



Corporate Governance

Built on solid ground

BOARD OF DIRECTORS



◀ **Ramon S. Ang**
Chairman

Jose P. Perez ▶
Independent Director

Luis A. Vera Cruz ▶▶
Director



◀◀ **John Paul L. Ang**
Director

◀ **Monica L. Ang**
Director

Melinda Gonzales-Manto ▶
Independent Director

Mario K. Surio ▶▶
Director



◀◀ **Manny C. Teng**
Director

◀ **Manuel P. Daway**
Director

Martin S. Villarama, Jr. ▶
Independent Director

Ricardo C. Marquez ▶▶
Independent Director



BOARD OF DIRECTORS**Ramon S. Ang**
Chairman

65 years of age; Filipino; first elected as Chairman of the Board of Directors of the Company on October 5, 2007. He holds, among others, the following positions in other publicly listed companies: Vice Chairman, President and Chief Operating Officer (COO) of San Miguel Corporation; President and Chief Executive Officer (CEO) of Top Frontier Investment Holdings Inc. and Petron Corporation; President of Ginebra San Miguel, Inc.; Chairman of the Board of San Miguel Brewery Inc. and San Miguel Brewery Hong Kong Limited (listed on the Hong Kong Stock Exchange) and Petron Malaysia Refining & Marketing Bhd. (listed in Malaysia); and Vice Chairman of the Board, President and CEO of San Miguel Food and Beverage, Inc. He is also the Chairman of the Board of San Miguel Brewery Inc. and South Western Cement Corporation; Chairman of the Board and CEO, and concurrently the President, and COO of SMC Global Power Holdings Corp.; Chairman of the Board, President, and CEO of Far East Cement Corporation; Chairman of the Board and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc., SEA Refinery Corporation, San Miguel Aerocity Inc., KB Space Holdings, Inc.; Chairman of the Board and CEO of SMC Asia Car Distributors Corp.; Chairman of the Board of San Miguel Brewery Inc., San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation and Philippine Diamond Hotel & Resort, Inc.; President of San Miguel Northern Cement, Inc. and President and CEO of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer (COO) of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five years. He obtained his Bachelor of Science degree in Mechanical Engineering from Far Eastern University.

John Paul L. Ang
Director

39 years of age; Filipino; first elected Director of the Company on November 30, 2010. He has served as the President and CEO of the Company since September 8, 2016. Mr. Ang is also the Chairman of the Executive Committee and a member of the Nomination and Remuneration Committee of the Company. He is also the President and CEO of South Western Cement Corporation, and is a director of KB Space Holdings, Inc. and Buildnet Construction, Inc. He previously served as the COO and General Manager from 2008 to 2016 and Managing Director from 2003 to 2007 of Sarawak Clinker Sdn Bhd. He also served as the Purchasing Officer of Basic Cement from 2002 to 2003. He holds a Bachelor of Arts Degree in Interdisciplinary Studies, Minor in Economics and Finance from the Ateneo de Manila University.

Manny C. Teng
Director

46 years of age; Filipino; first elected Director of the Company on June 21, 1995. He has been the General Manager and the COO of the Company since September 8, 2016. He is also a member of the Executive Committee and the Nomination and Remuneration Committee of the Company. Mr. Teng has served as President of the Company for seven (7) years from 2009 to 2016. For the past ten (10) years, Mr. Teng held various positions in the following companies: Technical Services Manager, Beverage Group of Ginebra San Miguel, Inc.; Technical Service Manager, Beverage Group of San Miguel Beverages; Product Development Manager, Non-Alcoholic Beverages International of San Miguel Beverages; Project Group of Centech Consultancy; Purchasing Head of Cement Management Corporation; and Purchasing Officer of Standard Construction and Rebuilding Corporation. He obtained a Bachelor of Science degree in Chemical Engineering from the University of Santo Tomas.

Monica L. Ang
Director

30 years of age; Filipino; first elected Director of the Company on June 3, 2013. She is the Chief Finance Officer (CFO), Treasurer and Board Risk Oversight Officer. She has been concurrently the Vice-President for Business Support Group of the Company since 2011. Ms. Ang is currently a member of the Executive Committee and the Board Risk Oversight Committee of the Company. She is also the Chairperson of Buildnet Construction, Inc. and a director, CFO and Treasurer of South Western Cement Corporation. She is also a director of the following companies: KB Space Holdings, Inc., A5 Wagyu, Inc., Q-Tech Alliance Holdings, Inc., and Premier Capital Venture Corporation. She has a Bachelor of Science degree in Management, Minor in Enterprise Development from the Ateneo de Manila University.

Mario K. Surio
Director

72 years of age, Filipino; first elected Director of the Company on January 14, 2011. He is an adviser of the Corporate Governance Committee. He currently holds, among others, the following positions in other companies: Technical Consultant for the Office of the President and COO of San Miguel Corporation; Vice-Chairman and Director for Private Infrastructure Development Corporation -Tarlac-Pangasinan-La Union Expressway (PDIC/TPLEX); Director of South Luzon Expressway (SLTC/SLEX), Ginebra San Miguel, Inc., and San Miguel Yamamura Packaging Corp. In the past ten (10) years, Mr. Surio has served as the President of Philippine Technologies, Inc., Cement Management Corporation and CEMA Consultancy Services, Inc. He also became the Assistant Quality Control Head, Quality Control Head, Production Manager and Plant Manager of Northern Cement Corporation and a Laboratory Technician and Physical Tester for Republic Cement Corporation. Mr. Surio is a licensed Chemical Engineer with a Bachelor of Science degree in Chemical Engineering from the University of Santo Tomas.

Luis A. Vera Cruz
Director

68 years of age; Filipino; first elected Director of Eagle on February 23, 2017. He is a member of the Audit Committee of the Company. He is currently Of Counsel at Angara Abello Concepcion Regala & Cruz, a Legal Consultant of San Miguel Corporation, Corporate Secretary of Chemical Industries of the Philippines Inc., a Director of Philippine Resources Savings Banking Corporation and an Independent Director of Cyber Bay Corporation. He previously served as Co-Managing Partner at Angara Abello Concepcion Regala & Cruz and Director of ACCRA Holdings Inc. Mr. Vera Cruz holds a Master of Laws from Cornell University, a Bachelor of Laws Degree from the University of the Philippines College of Law, and a BS Business Administration Degree from the University of the Philippines College of Business Administration.

Manuel P. Daway
Director

72 years of age; Filipino; first elected Director of the Company on February 13, 2017, effective March 31, 2017. He has been the Vice-President for Operations of the Company since January 2010. In the past ten (10) years, Mr. Daway held the following positions in various corporations, namely: Project Director of CEMA Consultancy, Vice-President for External Relations of Lafarge Cement Services Philippines Inc.; and Vice President for Operations of Lafarge/Republic Cement Corporation. Mr. Daway is a licensed Electrical Engineer and holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology.

Melinda Gonzales-Manto,
Independent Director

66 years of age; Filipino; first elected Independent Director of the Company on December 22, 2016. She is the Chairperson of the Audit Committee and a member of the Corporate Governance Committee. She currently holds the following positions in other companies: Independent Director of Petrogen Insurance Corporation, Director and Vice-President of Linferd & Company, Inc., Director and Vice President of ACB Corabern Holdings Corporation, and Independent Director of Bank of Commerce and Petrogen Insurance Corporation. She was formerly a partner of SGV & Co., Assurance and Advisory Business Services Division, and previously served as Board Member of the Philippine Retailers Association and as an independent member of the board of directors of the GSIS Family Bank. She is a certified public accountant and holds a Bachelor of Science in Business Administration degree from the Philippine School of Business Administration. She completed the Management Development Program at the Asian Institute of Management.

Ricardo C. Marquez
Independent Director

58 years of age; Filipino; first elected as Independent Director of the Company on February 13, 2017. He is the Chairman of the Nomination and Remuneration Committee and a member of the Board Risk Oversight Committee of the Company. He is currently a director of the Public Safety Mutual Benefit Fund, Inc. He previously held various positions in the Philippine National Police, eventually being promoted to Chief of the Philippine National Police. He also served as the Chairman of Public Safety Mutual Benefit Fund Inc. from July 2015 to June 2016. He has undergone various trainings and programs from the Institute of Corporate Directors, Harvard Kennedy School, and the Federal Bureau of Investigation National Academy, among others. He holds a Master's Degree in Management from the Philippine Christian University and a Bachelor of Science Degree from the Philippine Military Academy.

Martin S. Villarama, Jr.
Independent Director

72 years of age; Filipino; first elected as Independent Director of Eagle on February 13, 2017. He is the Chairman of the Corporate Governance Committee and a member of the Audit Committee. He is the Court-appointed liquidator of Uniwide Group of Companies and currently a member of the Board of Advisers of San Miguel Brewery Hongkong Ltd., and a member of the Association of Retired Justices of the Supreme Court of the Philippines and BIR Tennis Club. He was the 166th member of the Supreme Court and served as a Supreme Court justice from 2009 to 2016. He started his career in the judiciary in 1986, when he was appointed as Regional Trial Court Judge of Pasig City. He obtained his Bachelor of Laws degree from the Manuel L. Quezon University (MLQU) after completing a Bachelor of Science Degree in Business Administration from the De La Salle University.

Jose P. Perez
Independent Director

72 years of age; Filipino; first elected as Independent Director of the Company on February 13, 2017. He is the Chairman of the Board Risk Oversight Committee and a member of the Corporate Governance Committee of the Company. He is currently a member of the Board of Advisers of San Miguel Brewery Hongkong Ltd., and an Independent Director of Bloomberry Resorts Corporation, San Miguel Yamamura Packaging Corporation, and San Miguel Infrastructure Corporation - SLEX. He is also the current Dean of the College of Law of Manuel L. Quezon University. He served as a Justice of the Supreme Court from 2009 to 2016. He started his career in Supreme Court in 1971 as a legal assistant. He rose from the ranks and became Assistant court administrator and Court Administrator, Deputy Court Administrator, and Court Administrator. He holds a Bachelor of Laws Degree and Political Science Degree, both obtained from the University of the Philippines.

EXECUTIVE OFFICERS

- John Paul L. Ang**
President & CEO

- Manny C. Teng**
General Manager and Chief Operating Officer

- Monica L. Ang-Mercado**
Chief Finance Officer/Treasurer/Vice-President for Business Support Group/Board Risk Oversight Officer

- Manuel P. Daway**
Vice President for Operations

MANAGEMENT COMMITTEE

- Claro C. Abrasia**
Comptroller

- Leo M. Cruz**
Senior Procurement Department Manager

- Erwin Alberto C. Dearos**
Vice President for Logistics

- Girely T. Hernandez**
Assistant Vice President for Human Resources and Organizational Development

- Marlon P. Javarro**
Assistant Corporate Secretary, Assistant Vice President for Finance, and Related Party Transactions Officer

- Mercedes V. Jorquia**
Senior Corporate Internal Audit Manager

- Ma. Cristina M. Lleva**
Investor Relations Officer

- Paul Eugene G. Serrano**
Assistant Vice President for Operations

- Anthony F. Tagufa**
Central Engineering and New Works Manager

- Eduardo S. Uy**
Vice President for Sales and Marketing

- Fabiola B. Villa**
Compliance Officer, Vice President for Legal Services and Data Protection Officer

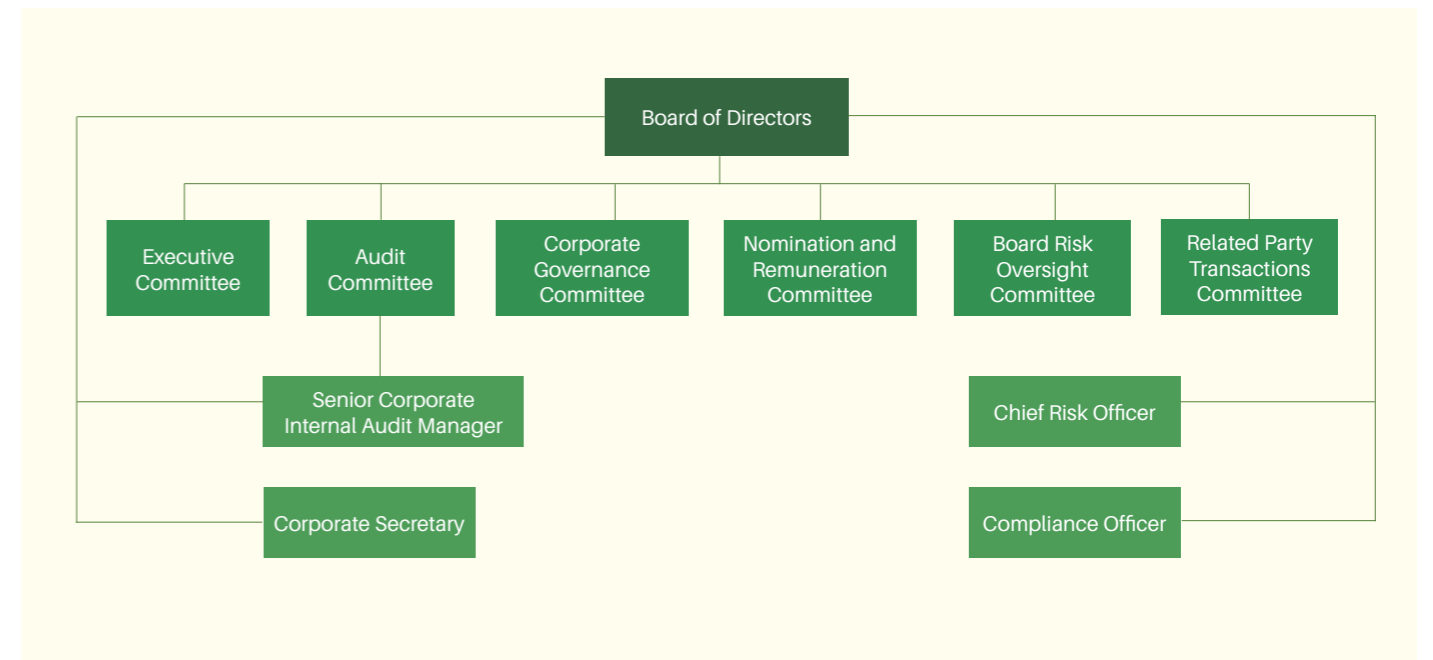
CORPORATE SECRETARY

Maria Farah Z.G. Nicolas-Suchianco

EAGLE CORPORATE GOVERNANCE STRUCTURE GRI 102-18



Eagle's Board of Directors and consultants at the 2018 Annual Stockholders' Meeting



Eagle Cement Corporation (“Eagle” or “the Company” or “the Corporation”), adheres to the highest standard of corporate governance in order to serve the best interest of the investing public and its stakeholders. The Board of Directors and Management of Eagle commit themselves to the principles of transparency, accountability, fairness and integrity, and the best practices contained in the Code of Corporate Governance and the Manual of Corporate Governance of the Company, and acknowledge that the same may guide the attainment of its corporate goals.

The Board, the Management, and the employees of the Company believe that sound and effective governance is fundamental to the Company’s stability and achievement of strategic goals. Building this solid foundation of good governance is vital as Eagle further expands its business and its geographic reach in the country, enabling the Company to create long lasting value for its shareholders and stakeholders.

RIGHTS OF SHAREHOLDERS

1. Right to Vote

Shareholders shall have right to vote on all matters that require their consent or approval pursuant to the relevant provisions of the Revised Corporation Code, as well as the Articles of Incorporation, By-Laws, and all resolutions adopted by the Board.

The common shares of the Corporation have full voting rights. Each common share entitles the holder to one (1) vote. The directors of the Corporation are elected by the shareholders at the meeting of the annual shareholders. Cumulative voting is allowed whereby a shareholder may cumulate his votes by giving one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares. Voting rights cannot be exercised with respect to shares declared delinquent, treasury shares, or if the shareholder has elected to exercise his appraisal rights.

Preferred shares issued by the Corporation are non-voting. However, under the Revised Corporation

Code, non-voting shares are nevertheless entitled to vote on the following instances: (i) amendment of the articles of incorporation of the Corporation, (ii) adoption and amendment of by-laws, (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the property of the Corporation, (iv) incurring, creating or increasing bonded indebtedness, (v) increase or decrease of capital stock, (vi) merger or consolidation of the Corporation with another corporation or corporations, (vii) investment of corporate funds in another corporation or business in accordance with the Corporation Code, and (viii) dissolution of the Corporation.

2. Right of Inspection over Corporate Books and Records

Shareholders shall have the right to inspect the records of all business transactions of the Corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, such right may be restricted or denied by the Board:

- a. If the requesting shareholder improperly used information secured from prior examination;
- b. If the requesting shareholder is not acting in good faith;
- c. If the requesting shareholder does not have a legitimate purpose for inspecting the records;
- d. If the Board determines it necessary to safeguard the rights and legitimate interest of the Company such as when the records to be inspected contain sensitive or confidential information or are covered by a confidentiality or non-disclosure obligation which will be breached by the Company if such records were made available for inspection; or
- e. For any other purpose or reason recognized under the Revised Corporation Code and jurisprudence.

3. Right to Information

Shareholders shall have the right to information which is required to be disclosed by the Corporation pursuant to the Revised Corporation Code, the Securities Regulation Code, and all other applicable laws or regulations.

4. Right to Make Proposals on Meetings

Shareholders, whether majority, minority or foreign, has the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

5. Appraisal Right

Shareholders shall have the right to appraisal, or the right to dissent and demand payment corresponding to the fair value of their shares, in accordance with and in the instances provided under Section 80 of the Revised Corporation Code, to wit:

- a. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any shareholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- c. By the dissenting shareholders, when the Corporation enters into a merger or consolidation; or
- d. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

6. Right to Financial Statements

Shareholders shall have the right to be furnished with the most recent financial statement of the Corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the directors are required to present to the shareholders a financial report of the operations of the Corporation for the preceding year, which shall include financial statements duly signed and certified in accordance with this Code, and the rules the Commission may prescribe.

7. Right to Dividends

Shareholders shall have the right to dividends, subject to the provisions of the Revised Corporation Code, as well as the Articles of Incorporation, By-Laws, and Dividend Policy adopted by the Board.

In relation to such right, the Corporation shall endeavor to comply with the legal requirement of declaring dividends in case the retained earnings of the Corporation shall exceed one hundred percent (100%) of its paid-in capital stock; provided, however, that the retention may exceed one hundred percent (100%) in the following instances:

- a. When the retention is justified by a definite corporate expansion project duly approved by the Board;
- b. When the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or
- c. When it can be clearly shown that the retention is necessary under special circumstances, such as when there is a need for a special reserve for probable contingencies that must be met by the Corporation.

A. Denial of Pre-Emptive Right – There shall be no pre-emptive rights with respect to:

1. shares of stock to be issued, sold, or otherwise disposed of by the Corporation;
2. the issuance of any class of shares in payment of a previously contracted debt or equity-linked debt, or shares issued in exchange for property needed for corporate purposes;
3. the issuance of shares out of unissued capital stock or from any increase in the authorized capital stock of the Corporation;
4. re-issuance or disposition of treasury shares; and
5. any other issuance or disposition of the shares of the Corporation.

B. The Board shall ensure that basic shareholder rights are disclosed, not only in the Manual on Corporate Governance, but also on the Corporation’s website.

C. The Board shall be transparent and fair in the conduct of the annual and special shareholders’ meetings of the Corporation. The shareholders are to be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the shareholder’s favor.

D. It is the duty of the Board to promote the rights of the shareholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

E. The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the shareholders’ meaningful participation in meetings, whether in person

or by proxy. Accurate and timely information shall be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

F. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders’ Meeting with sufficient and relevant information at least 28 days before the meeting.

G. The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders’ Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders’ Meeting shall be available on the Company website within five (5) business days from the end of the meeting.

H. The Corporation shall have an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall be present at every shareholders’ meeting.

I. The Office of the Corporate Secretary shall address concerns of stockholders and potential disputes between the corporation and stockholders.

ROLE OF STAKEHOLDERS

The Board shall identify the Company’s various stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability.

a) The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

b) The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights.

DISCLOSURE AND TRANSPARENCY

1. Ownership Structure GRI 102-5

The following have at least five percent (5%) shareholding as of December 31, 2018:

Title of Class	Shareholder	Beneficial Owner	Number of Common Shares	Percent
Common	Ramon S. Ang	Ramon S. Ang	1,317,857,139	26.36%
Common	Far East Cement Corporation	Ramon S. Ang	3,010,714,288	60.21%
Common	PCD Nominee Corp. (Filipino)	Various Shareholders	474,552,678	9.49%

2. External Auditor’s Fee

The Company paid the external auditors the following fees for the last three years for professional services rendered:

Services (in Php)	2018	2017	2016
Audit and other audit related fees	3,395,000	3,175,000	2,912,000
Tax Fees	-	450,000	400,000
Others	-	550,000	-

3. Medium of Communication

The Company addresses the various information requirements of the investment community through the following:

a. Company Website

All disclosures, stock information and information on corporate matters are posted on the Company website.

b. Analysts’ Briefing

Eagle conducts analysts’ briefing on the Company’s financial and operating results

every quarter. Notice of Analysts’ Briefing is disclosed at least three (3) trading days prior the scheduled date pursuant to PSE Disclosure Rules.

c. Investor Conferences, Non-Deal Roadshows, One-on-One/Group Meetings, and Conference Calls

To ensure transparency and accuracy in information disclosure for stockholders, and provide access to management, the IRO together with the Chief Finance Officer (CFO), President, and members of the management, meets with investment fund managers, as well as institutional investors, to discuss in detail the Company’s core businesses, key investment highlights, business updates and strategic plans through one-on-one meetings, group meetings, conference calls, investor conferences, and non-deal roadshows.

d. Press Releases

Eagle discloses to the PSE and SEC any and all material information, significant news, and important updates in connection with the Company’s business operations on a timely manner pursuant to PSE Disclosure Rules and SEC Rules.

e. Plant Visits

Eagle accommodates requests from the investment community to visit the Bulacan Plant in Brgy. Akle, San Ildefonso, Bulacan. The IRO coordinates these requests with the respective groups in the plant.

4. Audited Financial Statements

The Audited Financial Statements as of and for the year 2018 were released on March 8, 2019, which is within one hundred twenty (120) days from the end of the financial year.

5. 5. Related Party Transactions (RPT)

For the summary of the Company’s RPTs as of December 31, 2018, please see Note 19 of the 2018 Audited Financial Statements on page 144 of this Annual Report.



NAME	POSITION
Ramon S. Ang	Chairman
John Paul L. Ang	Director, President & CEO
Manny C. Teng	Director, General Manager & COO
Monica L. Ang	Director, CFO, Treasurer, Vice-President for Business Support Group & Board Risk Oversight Officer
Manuel P. Daway	Director & Vice President for Operations
Mario K. Surio	Non-Executive Director
Luis A. Vera Cruz, Jr.	Non-Executive Director
Ricardo C. Marquez	Independent Director
Melinda G. Manto	Independent Director
Martin S. Villarama, Jr.	Independent Director
Jose P. Perez	Independent Director

Independent Directors

The Board’s independent directors shall serve for a maximum cumulative term of nine (9) years. After nine (9) years, the independent director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a Company wants to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek shareholders’ approval during the annual shareholders’ meeting.

As a publicly listed company, Eagle exceeds the regulatory requirement of having at least two (2) independent directors on the board. The Company has four (4) independent directors equivalent to thirty six percent (36%) of the eleven-man board.

Independent directors shall always attend board meetings. The absence of independent directors in board meetings shall not affect the quorum requirement, unless otherwise provided in the by-laws and applicable laws, rules, and regulations. However, the Board of Directors may, to promote transparency, require the presence of at least one independent director in all its meetings.

Duties and Responsibilities

The Board of Directors oversees the development of and approves the Company’s business objectives and strategy, and monitors their implementation, in order to sustain the Company’s long-term viability and strength. It is responsible for formulating the Company’s vision, mission, strategic objectives, policies, and procedures that shall guide its activities, including the means to effectively monitor Management’s performance.

The Board of Directors discharges its functions and performs its responsibilities as set out in the Company By-Laws, Manual on Corporate Governance, and all applicable laws and regulations, with utmost honesty and integrity.

Meetings and Attendance

The directors shall attend and actively participate in all meetings of the Board of Directors, the board committees, and shareholders in person or through tele/video-conferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as illness, death in the immediate family, and serious accidents, prevent them from doing so. In board and committee meetings, the director shall review meeting materials and, if called for, ask the necessary questions or seek clarifications and explanations.

The presence of a majority of the directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

The regular meetings of the Board of Directors shall be held quarterly at such times as may be fixed by resolution of the Board of Directors.

A special meeting of the Board of Directors shall be called by the Chairman, the President, or by the Secretary at the request of any two (2) directors. The notice of a special meeting shall be given at least one (1) week before the meeting date.

The Board of Directors’ Attendance Record in Board Meetings in 2018 is as follows:

Director	Meetings Attended/ Held	Percentage
Ramon S. Ang	4/5	80%
John Paul L. Ang	5/5	100%
Manny C. Teng	5/5	100%
Monica L. Ang	4/5	80%
Manuel P. Daway	5/5	100%
Mario K. Surio	5/5	100%
Luis A. Vera Cruz, Jr.	5/5	100%
Ricardo C. Marquez	5/5	100%
Melinda G. Manto	5/5	100%
Martin S. Villarama, Jr.	5/5	100%
Jose P. Perez	5/5	100%

Orientation and Training of the Board

The Board of Directors, together with the key officers, the Compliance Officer, and such other officers of the Company attended an annual continuing training on corporate governance, which included courses on the developments in the business and regulatory environments and emerging risks relevant to the Company.

Assessment

The Board of Directors shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, the individual members, and the Board Committees, provided, that every three (3) years, the Company shall engage a third party external facilitator to support the Board of Directors in the conduct of the assessments.

The Board of Directors shall have in place a system that provides, at the minimum, criteria and processes to determine the performance of the Board of Directors, the individual directors, and the Board Committees, and such a system shall allow for a feedback mechanism from the shareholders.

Performance Evaluation

The Board of Directors shall periodically assess its effectiveness by comparing its performance with the requirements of the CG Charter and the CG Manual. The assessment will also form the basis for the formulation of objectives and plans for the improvement its performance.

Remuneration of the Board

Article III, Section 10 of the By-laws of the Corporation provides that by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meetings of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten per cent (10%) of the net income before income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The aggregate compensation paid or incurred during the last two (2) fiscal years, as well as those estimated to be paid in the ensuing fiscal year, to the Corporation’s CEO and senior executive officers are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
		(in Million)			
CEO and the four (4) most highly compensated executive	2018	P22.8	P5.2	P1.5	P29.5
	2017	P18.0	P5.3	P1.3	P24.6
	2016	P17.9	P4.8	P0.9	P23.6
All other officers and Directors as a group unnamed	2018	P18.7	P4.7	P0.5	P23.9
	2017	P14.3	P2.9	P0.8	P18.0
	2016	P10.3	P2.8	P0.7	P13.8
TOTAL	2018	P41.5	P9.9	P2.0	P53.4
	2017	P32.3	P8.2	P2.1	P42.6
	2016	P28.2	P7.6	P1.6	P37.4
	2019E	P41.5	P9.9	P2.3	P53.7

Each director received a per diem of Thirty Thousand Pesos (P30,000) per attendance at Board meetings of the Corporation. For the attendance at every Board Committee meetings, the Committee Chairperson received Fifteen Thousand Pesos (P15,000), while the Committee members received Ten Thousand Pesos (P10,000) each.

BOARD COMMITTEES

Corporate Governance Committee

The Corporate Governance Committee is a standing committee of the Board of Directors constituted for the purpose of assisting the Board of Directors in the performance of its corporate governance responsibilities. It also ensures compliance with and proper observance of corporate governance principles and practices.

Corporate Governance Programs Attended in 2018			
Director	Program	SEC Accredited Training Provider	Date of Training
Ramon S. Ang	Corporate Governance and Strategic Management	Center for Global Best Practices	December 6, 2018
John Paul L. Ang	Corporate Governance Orientation Program	Institute of Corporate Directors	June 6, 2018
Manny C. Teng	Corporate Governance Orientation Program	Institute of Corporate Directors	June 6, 2018
Monica L. Ang	Enhancing Audit Committee Effectiveness (Essentials)	Institute of Corporate Directors	September 13, 2018
Manuel P. Daway	Corporate Governance Orientation Program	Institute of Corporate Directors	June 6, 2018
Mario K. Surio	Corporate Governance Orientation Program	Institute of Corporate Directors	June 13, 2018
Luis A. Vera Cruz, Jr.	Corporate Governance Orientation Program	Institute of Corporate Directors	June 6, 2018
Ricardo C. Marquez	Corporate Governance	SGV & Co.	September 21, 2018
Melinda G. Manto	Corporate Governance Orientation Program	Institute of Corporate Directors	June 13, 2018
Martin S. Villarama, Jr.	Corporate Governance	SGV & Co.	December 5, 2018
Jose P. Perez	Corporate Governance	SGV & Co.	December 5, 2018
Marlon P. Javarro	Corporate Governance Orientation Program	Institute of Corporate Directors	June 6, 2018
Fabiola B. Villa	Corporate Governance Orientation Program	Institute of Corporate Directors	November 14, 2018
Ma. Cristina M. Lleva	5th SEC-PSE Corporate Governance Forum	PSE/SEC	October 23, 2018

The Committee is composed of three (3) members, all of whom are independent directors, including the Chairman.

Corporate Governance Committee		
Office	Name	Date of First Appointment
Chairman (ID)	Martin S. Villarama, Jr.	February 13, 2017
Member (ID)	Jose P. Perez	February 13, 2017
Member (ID)	Melinda Gonzales-Manto	February 13, 2017
Adviser	Mario K. Surio	February 13, 2017

The Corporate Governance Committee Charter is available for download through the Company's website: <https://eaglecement.com.ph/board-committees>

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a standing committee of the Board of Directors constituted for the purpose of determining the nomination and election process, as well as the remuneration of directors and officers of the Company.

The Committee was composed of the following directors from its constitution on February 13, 2017 until June 21, 2018:

Nomination and Remuneration Committee		
Office	Name	Date of First Appointment
Chairman (ID)	Jose P. Perez	February 13, 2017
Member (ID)	Ricardo C. Marquez	February 13, 2017
Member (ED)	John Paul L. Ang	February 13, 2017
Member (ED)	Manny C. Teng	February 13, 2017
Adviser	Aurora T. Calderon	February 13, 2017

At the Organizational Meeting of the Board held on June 21, 2018, the committee membership was reduced to three (3) members:

Nomination and Remuneration Committee		
Office	Name	Date of First Appointment
Chairman (ID)	Ricardo C. Marquez	February 13, 2017
Member (ED)	John Paul L. Ang	February 13, 2017
Member (ED)	Manny C. Teng	February 13, 2017
Adviser	Aurora T. Calderon	February 13, 2017

The Nomination and Remuneration Committee Charter is available for download through the Company's website: <https://eaglecement.com.ph/board-committees>

Audit Committee

The Audit Committee is a standing committee of the Board of Directors constituted for the purpose of assisting the Board of Directors in the oversight of the senior Management in establishing and maintaining an adequate, effective and efficient internal control framework of the Company.

The Committee ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Committee was initially composed of three qualified non-executive directors when it was constituted on February 13, 2017. On August 7, 2017, the committee membership was increased to four.

The members of the Committee until June 21, 2018 were:

Audit Committee		
Office	Name	Date of First Appointment
Chairman (ID)	Melinda Gonzales-Manto	February 13, 2017
Member (ID)	Martin S. Villarama, Jr.	August 7, 2017
Member (ID)	Ricardo C. Marquez	February 13, 2017
Member (NED)	Mario K. Surio	February 13, 2017
Adviser	Aurora T. Calderon	February 13, 2017

At the Organizational Meeting of the Board held on June 21, 2018, the committee membership was reduced to three (3) members:

Audit Committee		
Office	Name	Date of First Appointment
Chairman (ID)	Melinda Gonzales-Manto	February 13, 2017
Member (ID)	Martin S. Villarama, Jr.	August 7, 2017
Member (NED)	Luis A. Vera Cruz, Jr.	June 21, 2018
Adviser	Aurora T. Calderon	February 13, 2017

The Audit Committee Charter is available for download through the Company's website: <https://eaglecement.com.ph/board-committees>

Board Risk Oversight Committee

The functions of the Board Risk Oversight Committee (BROC) were previously performed by the Audit Committee. On June 21, 2018, a separate Board Risk Oversight Committee was constituted.

The Committee is chaired by an independent director with one executive director and one independent director as members.

Board Risk Oversight Committee		
Office	Name	Date of First Appointment
Chairman (ID)	Jose P. Perez	June 21, 2018
Member (ID)	Ricardo C. Marquez	June 21, 2018
Member (ED)	Monica L. Ang	June 21, 2018
Adviser	Michael Fitch	June 21, 2018

The BROC Committee Charter is available for download through the Company's website: <https://eaglecement.com.ph/board-committees>

COMPANY POLICIES

Related Party Transactions Policy

The Policy aims to define related party relationships and transactions and set out the guidelines, categories and thresholds that will govern the review, approval and ratification of these transactions by the Board of Directors or Shareholders to ensure that the related party relationships have been accounted for and disclosed in accordance with International Standard 24 on Related Party Disclosures.

The Policy requires that all related party transactions between Eagle, its subsidiaries, affiliates and other related entities or persons are made on an arm's length basis.

In accordance with the Charter of the Board of Directors, the Audit Committee is responsible to oversee and review the Related Party Transactions and their required reporting disclosures.

The RPT Policy may be downloaded through the Company's website: <https://eaglecement.com.ph/company-policies>

Whistleblowing Policy

Eagle's Whistle-blowing Policy is intended to encourage and enable employees and partners in business to raise serious concerns within the Company.

The Company's Whistle-blowing Policy identifies who could be whistleblowers, laying down the matters that are reportable hereunder, the procedures for whistle blowing, as well as their rights and responsibilities under the said policy.

Anti-Fraud Policy

The term "fraud", used in this Policy, refers generally to any intentional act committed to secure an unfair or unlawful gain including, but not limited to, fraud, corruption, theft and other similar irregularities that reflect actual or potential:

- Misrepresentation in the Company's publicly released financial statements or other public disclosures;
- Misappropriation or theft of the Company's assets such as cash, inventories, corporate certificate, plant blueprints, material documents, equipment, tools or supplies;
- Unlawfully obtained revenue, expenses and assets or unlawful avoidance of costs and expenses;
- Claiming reimbursement for fictitious expenses;
- Commercial bribery or bribery of a government official or other violation of anti-corruption laws; or

- Improper payment schemes such as employees or Directors of Eagle seeking or accepting from, paying or offering to, suppliers or business partners, kickbacks or gifts intended to or which may appear to influence business judgment.

Gifts and Gratuity Policy

All Eagle employees and officers are prohibited from requesting, accepting or offering any form of gifts or gratuities in connection with any corporate expenditure, sale of goods or services from all vendors, suppliers, customers, co-employees, contractors, consultants, potential employees, politicians, potential vendors or suppliers and any other individual or organization.

Gifts and gratuities include, but are not limited to, cash, tickets to events, sports and entertainment in general, paid vacations, electronic equipment, liquor, food, substantial favors and other items of value given by co-employees and third parties (e.g. vendors, suppliers, customers, contractors, consultants, potential employees, politicians, potential vendors or suppliers, and any other individual or organization to employees or officers with whom they transact, whether directly or indirectly, in relation to the Company's business dealings, and regardless of the place where such gifts are offered to or received by an employee or officer).

All efforts must be employed in the non-acceptance or the act of returning such gifts or gratuities received; these attempts or actual receipt of such favors must be reported to or registered with the management and Ethics Committee.

Workplace Ethical Relationship Policy

Employees are prohibited or must refrain from having personal close ties with suppliers, clients / distributors and co-employees in any kind of mutually benefiting relationship (i.e. sponsorship or god-parenting by way of marriage or baptism activities, romantic or sexual ties, etc.).

Superiors (i.e. supervisor, manager) should avoid accepting invitations to be a godparent of a subordinate, colleague or any employee within his scope of influence and vice versa. With that, the Company also extremely discourages any romantic relationships between:

- Employee and contractor, supplier, or customer;
- Immediate superior and subordinate; Superior with indirect subordinate, but has the power / influence over certain departments and / or within the department

These relationships may bring potential conflict to the business interest of the Company. In addition, this rule is to maintain an ethical standard and fairness during the job evaluation of any respective subordinate and undue treatment in general working conditions. Affected employees must report to Human Resources via updating their FBID forms or whenever a new entrant/ applicant to the Company is related.

Employees with direct or indirect contacts with vendors, distributors, and contractors should strictly avoid from accepting or soliciting sponsorships / god-parenting from these third parties. For existing relations like this, granting or acceptance of any excessive gifts is also discouraged and should be reported to the Company through FBID's Declaration of Gifts Form. This may influence ethical relationships concerning the Company's interaction with vendors, distributors, and contractors.

Other Company Policies may be downloaded through the Company's website: <https://eaglecement.com.ph/company-policies>

Policy on Screening, Nomination, and Election of Directors

Policy on Remuneration of Directors

Policy on Evaluation of Directors

- Retirement Policy**
- Succession Planning Program**
- Disclosure Policies**
- Insider Trading Policy**
- Dividend Policy**
- EESG Policy**
- Electrical Safety Policy**
- Hazardous Waste Management Policy**
- Accident in Workplace Policy**

Manual on Corporate Governance (MCG)

The MCG may be accessed through the Company's website: <https://eaglecement.com.ph/manual-oncorporate-governance>

Code of Ethics

The Code of Ethics applies to all Eagle employees, including members of the executive office, management and board committees. It provides an outline of the general expectations and sets standards by which employees are expected to conduct themselves.

Employees are required to disclose annually any business and family-related transactions to ensure that potential conflict of interest are brought to management's attention. Compliance to the law and appropriate ethical standards of Eagle promote integrity and create a strong corporate culture within the Company.

The code of ethics may be downloaded through the Company's website: <https://eaglecement.com.ph/ecc-code-of-ethics>



Sustainability Report

A blueprint for the future

GRI 102-54

This is Eagle Cement Corporation's (Eagle) first Sustainability Report covering the economic, social and environmental performance of our Bulacan plant and Head Office from January 1 to December 31, 2018. This report has been prepared in accordance with the GRI Standards: Core option. Aside from establishing baseline data on our triple-bottom line performance, this report aims to provide concise and transparent data on our sustainability strategy and social responsibility initiatives throughout the year 2018 and previous years where it matters.

Eagle's sustainability vision is anchored on a firm belief that our business and products should leave minimal impact on the planet as our Company simultaneously improves the lives of target communities.

In 2018, our Company formally began to embed sustainability into its core philosophy by examining its operations from the lens of economic, social and environmental impacts – the three pillars of sustainability. Even before this process, sustainability ideals have informed Eagle's mission-vision statement and values.

This commitment to create shared values through community development and the wise use of natural resources is also aligned with Eagle's voluntary goal to contribute to the Philippines' long-term economic and environmental targets.

Toward these ends, our Company focuses on three key areas: Product Quality and Excellence, Efficiency and Environmental Accountability, and Social Responsibility.



Product Quality and Excellence

Eagle manufactures and distributes only high-quality cement products that adhere to and exceed the Philippine National Standards and international standards.



Efficiency and Environmental Accountability

Without sacrificing environmental responsibility and accountability, Eagle puts a high premium on production efficiency in meeting the increasing demands of the Philippine market.



Social Responsibility

Eagle is committed to make a difference in our communities through strategic socio-civic programs that improve the quality of life.

GRI 102-41



Engaging with Stakeholders

Eagle views the stakeholder engagement process as a good opportunity to review and evaluate our Company's relationships with our key publics.

In 2018, our Company formally kicked-off its stakeholder engagement process by convening key officers and employees in a sustainability exercise meant to review and analyze our major stakeholder groups.

This sustainability session revealed and confirmed that we have already been engaging key stakeholders in meaningful ways over the past years even before the sustainability reporting process formally began.

In the next years, Eagle aims to strengthen the platforms through which our Company collaborates with its major publics, both internally and externally, as this is a core approach in our Company's journey toward sustainability.

The main categories of Eagle's stakeholders, areas of concern, engagement methods, and some of our Company's key actions are identified on page 51.

Stakeholder Engagement Table GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

Stakeholder Group	Engagement Methods	Key Concerns	Company's Response
Employees	<ol style="list-style-type: none"> Employee huddles Mill Around Town Hall meetings Performance evaluations based on score card Dialogue-time 	<ol style="list-style-type: none"> Work-life balance Skills development and training Employee health and fitness 	<ol style="list-style-type: none"> Sportsfest Company outings and annual events Annual training plans Competency based profiling Annual physical exams
Customers	<ol style="list-style-type: none"> Daily call confirmation with dealers Quarterly business reviews Regular meetings Year-end engagements with dealers 	<ol style="list-style-type: none"> Delayed deliveries Stock outs Product quality Processing of rebates 	<ol style="list-style-type: none"> Increase in delivery fleet Allocation of packhouse resources to be aligned with dealer requirements Regular product quality testing Implementation of Proof of Delivery (POD) Program in SAP for a more efficient billing process
Communities and local barangays	<ol style="list-style-type: none"> Regular Information, Education, and Communications (IEC) programs Annual SDMP meetings Quarterly plant visits Quarterly Barangay Technical Working Group (BTWG) meetings 	<ol style="list-style-type: none"> Dust and natural flooding Blasting vibrations Domestic water availability Livelihood and jobs Safety and emergency awareness Scholarships and education Health and nutrition programs 	<ol style="list-style-type: none"> Additional dust collector units and watering of roads Vibrometer measurements with community presence Water system projects Safety trainings and orientations Commitment to emergency response Semi-annual medical missions Provision of scholarships Implementation of CDP, SDMP, and CSR programs
Contractors	<ol style="list-style-type: none"> Supplier accreditation Semi-annual supplier performance evaluation Project bidding as needed 	<ol style="list-style-type: none"> Safety and emergency awareness Project scope and timelines Lack of manpower 	<ol style="list-style-type: none"> Safety awareness trainings and orientations, tool box talks, and emergency drills Weekly coordination meetings for project status Implementation of Service Level Agreement (SLA)
Regulatory bodies	<ol style="list-style-type: none"> Quarterly Multi-partite Monitoring Team and Mine Rehabilitation Fund Committee meetings Technical conferences PSE and SEC disclosures 	<ol style="list-style-type: none"> Safety incidents Proper equipment in plant Compliance 	<ol style="list-style-type: none"> Corrective actions reported and validated Timely submission of all required corporate disclosures
Investors	<ol style="list-style-type: none"> Annual/Special Stockholders' Meeting Quarterly analysts' briefing One-on-one/Group investor meetings (as requested) Plant visits (as requested) Investor conferences and Non-Deal Roadshows Press Releases 	<ol style="list-style-type: none"> Shareholder return Minimum risks related to business and expansion 	<ol style="list-style-type: none"> Dividend payments timely and accurate disclosure of financial performance, business strategy and material transactions

Materiality: Our Sustainability Priorities

GRI 102-46, GRI 102-47

In 2018, Eagle officially began our sustainability process by determining the issues, concerns, and priorities that are most important to its business and stakeholders.

Through a materiality assessment workshop attended by all key managers and staff, Eagle employees came to realize how the materiality review is a vital component of our Company's sustainable growth.

A topic becomes material for Eagle if it affects our business growth and our brand and reputation, or it is important to our key stakeholder groups listed on page 51. By understanding these issues that are most critical to the sustainable growth of Eagle both from internal and external perspectives, we are now equipped to further address business risks and critical stakeholder concerns in better ways, thereby also deepening our social license to operate.

Based on these sessions, our Company's material topics are as follows:

As a cement manufacturing company engaged in mining and labor-intensive activities, the health and safety of our employees and contractors, as well as our emergency preparedness, are top material topics at Eagle. This reflects a strong people-focused approach to operations, where employee wellbeing is placed on the same rank as product quality, customer satisfaction, and profitability.

The next cluster of material topics are mostly focused on the use of and impact on natural resources—material consumption, electricity generation and consumption, fuel use for transport, and biodiversity management. This is reflective of our Company's high regard for the judicious use resources. Since Eagle's success is highly dependent on the proper management of finite natural wealth, a clear need has been established by the materiality review to place resource management and conservation as both a top business agenda and an area of significant risk.

The last cluster of material topics vary from internal security, local employment, good governance, land rehabilitation, and water pollution and waste management. These are all key areas of sustainability that we aim to better focus on and manage in the coming years.



Making Our Profits Count

Since day one, Eagle has always strived to redistribute its financial success into pockets of economic growth that benefit a wider public beyond our own walls and private interests.

In a bid to enlarge the positive impacts of today’s “Golden Age of Infrastructure” for more communities, we aim to parlay its strong financial position to expand our production lines, operate with greater efficiencies and innovations, and ultimately enable more communities to lead brighter, productive lives.

Expanding Our Reach

In order to meet the growing demand for cement in the country as a result of greater infrastructure development from both private and public sectors as well as the increasing private consumption demand, Eagle is extending our production lines and enlarging our operational footprint across the country.

In 2018, we completed our third integrated production line in Bulacan to further raise our annual cement capacity to 7.1 million metric tons (MMT) or about 180 million cement bags per year. In addition, we are currently building our fifth finish mill that will bring our total annual cement output to 8.6 MMT or 220 million cement bags by 2020. Meanwhile, the construction of our fourth production line in Cebu is underway and is expected to further boost our production capacity to 10.6 MMT or approximately 270 million cement bags annually by 2021.

With our greater production capacity, we plan to become a catalyst in bringing forth greater development in the countryside by serving new markets in the Visayan and Mindanao regions.

Economic Value Generated and Distributed

In 2018, over two thirds of Eagle’s net revenue went to suppliers and contractors, 75% of whom are local businesses. In addition, around one fourth of our net revenue for the year were redistributed into employees as salaries and to the government as taxes, duties, and fees. Moreover, a portion of our revenue was given back to the public as dividends and to the community as our social responsibility contributions to ensure the growth of marginalized communities living in areas where we operate.

Of our total revenue for the year, we retained only 0.47%, a significant portion of which will be rechanneled to fund our expansion programs to ensure that we meet the country’s growing demand for quality cement.

Economic Impact (in Million Php) <small>GRI 201-1</small>		
Direct Economic Value Generated	16,522.0	100%
Direct Economic Value Distributed		
Salaries paid to employees and contract workers	550.0	3.33%
Taxes, duties, and fees paid to government	3,028.2	18.33%
Amount paid to suppliers/contractors	11,516.3	69.70%
Dividends paid to stockholders	1,335.1	8.08%
Charitable contributions	15.1	0.09%
Direct economic value generated	77.4	0.47%

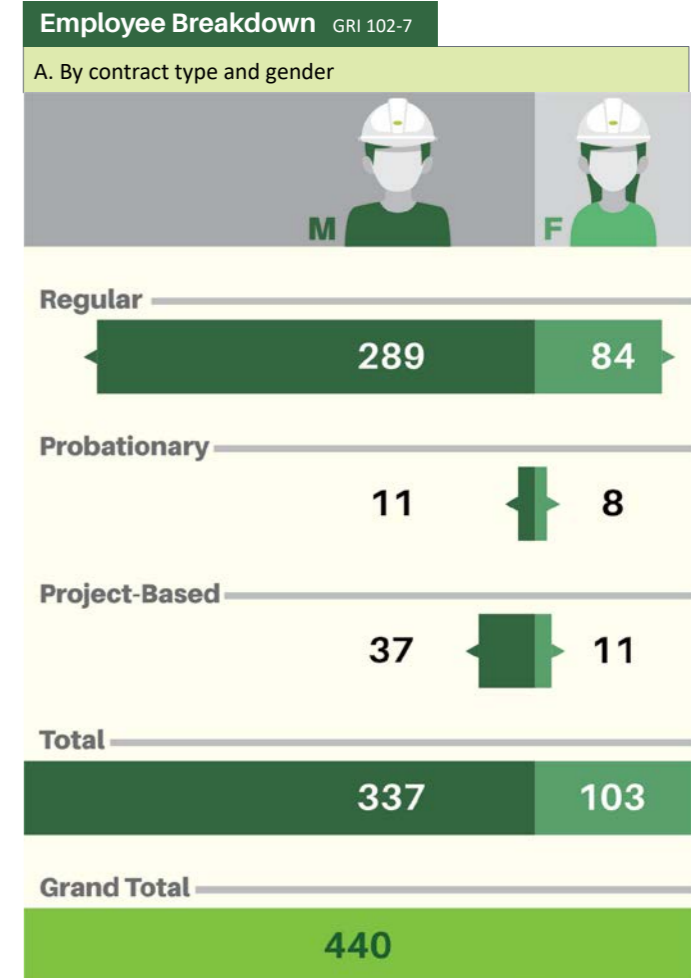
GRI 102-8

Growing from Within: A People-Centered Company

The success of Eagle depends on the growth of the people closest to our hearts—our employees who dedicate their careers to growing our Company.

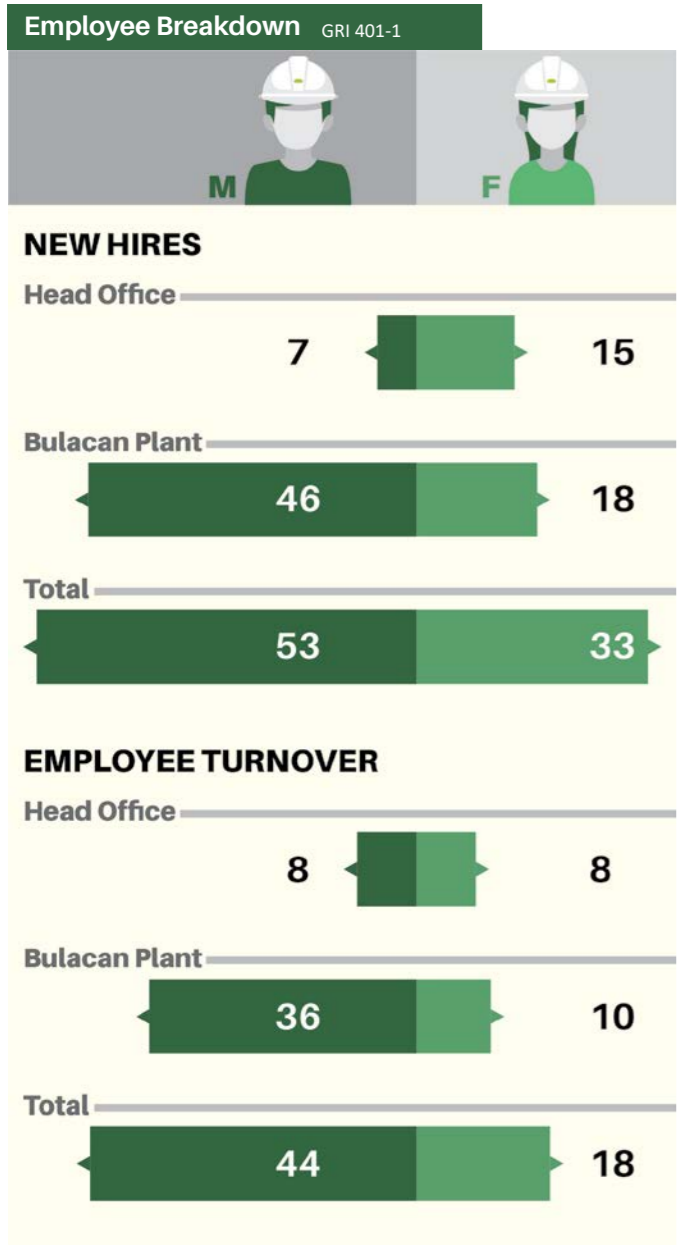
While Eagle engages in manufacturing, marketing, sale and distribution of cement as its core business activities, our Company has always been and will always be about people. We are only as good as the people within our ranks, and we know that our employee-growth strategy underpins our business growth.

As such, we strive to create a nurturing workplace in which everyone is valued and has an opportunity to reach their full potential. All our employees, regardless of their position and tenure in our Company, are given the same tools and training opportunities to fully understand our business and how it can help them achieve their own professional success and growth.



B. By position and age group

	Male			Female		
	< 30 years old	30 - 50 years old	> 50 years old	< 30 years old	30 - 50 years old	> 50 years old
Top Management	-	2	-	-	1	-
Management Committee (MANCOM)	-	4	5	-	2	1
Operations Committee (OPCOM)	-	6	20	5	-	4
Supervisors	15	50	28	11	11	2
Rank and File	123	70	12	42	24	2
Total	138	132	65	58	38	9



Parental Leaves GRI 401-3

	Male	Female
Total number of employees that were entitled to parental leave	168	106
Total number of employees that took parental leave [A]	17	1
Total number of employees that returned to work in the reporting period after parental leave ended [B]	17	1
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work [C]	17	1
Return to work rate	100%	100%
Retention rate	100%	100%

Driver's Dormitory and Engagement Programs

One good example of Eagle's staff engagement strategy is the Driver's Dormitory we constructed and opened up for free to all cement truck drivers who are not even direct hires of Eagle. Well aware that the truck drivers work during odd hours, which often force them to sleep under their trucks or by the side of roads, our Company constructed a dormitory and rest area that allows drivers to fully rest and recharge before resuming their duties.

Company-Wide Training Opportunities

GRI 404-2

The training process in Eagle begins on day one. As part of their onboarding process, all new hires, including those who are not in a technical line of work, are given the opportunity to visit our main plant in San Idefonso, Bulacan. This enables them to gain a comprehensive understanding of Eagle's business and how our Company contributes to community building.



By allowing everyone across our Company to fully grasp Eagle's core lines of work, we aim to give all our employees a sharper sense of ownership of their jobs and a stronger drive to collaborate and propose innovative ideas.

In addition, we require all staff to undergo an annual cement technology training. Eagle's top management personally reviews the outputs and outcomes of this whole-day training session, which focuses on the latest challenges and trends affecting Eagle and the cement industry.

In line with employee development is performance feedback, which is an integral part of career growth. One hundred percent of our employees are entitled to performance reviews. In 2018, 86% of employees received performance reviews, with the remainder no longer with Eagle or not yet qualified due to their recent date of hiring.



B. By position

Position	Total Training Hours	Average Training Hours
Top Management	16	5.33
Management Committee (MANCOM)	84	7.00
Operations Committee (OPCOM)	356	10.17
Supervisors	732	6.26
Rank and File	1,784	6.53
Total	2,972	6.75

Employee Engagement

A highly engaged and motivated workforce naturally leads to higher employee satisfaction, higher productivity, lower turnover, and increased employee loyalty.

At Eagle, employee engagement has become a focal point of our human resources strategy, as we strive to go over and beyond what is expected from the Company in terms of perks, flexibility, and benefits.

We provide above-average compensation and benefits packages to ensure that we retain outstanding employees and to attract the right talents into our fold.

These mandatory and voluntary benefits include: group life and accident insurance; vacation, sick, emergency, and maternity leaves; maternity and paternity assistance; free meals; uniform allowance; health card (MediCard); rice subsidies; medical assistance; company loan; and medicine reimbursement.



People-focused Approach to HR

The driving force behind a high-performing people-focused organization is the partnership between Human Resources and Management. Our ultimate goal is to create and sustain a high-performance environment where talent is appreciated and rewarded.

Our people programs show how senior leaders clearly articulate and visibly demonstrate how our Company values people. Line Managers champion people programs and take the lead in engaging their staff. All of the following people programs are aligned with Eagle’s Vision, Mission, and Values:

We enable our people to arrive at a shared perspective of success through the Corporate Balanced Scorecard (CBSC), Department Balanced Scorecard (DBSC) and Individual Balanced Scorecard (IBSC). These provide our employees with a comprehensive picture of how Eagle is progressing towards the achievement of organizational, departmental, and individual employee goals.

We also implement Competency Based Profiling (CBP), a system used to determine the competency structure of the organization in shaping desired performance outcomes and selecting the right person for the right job. It is also used to identify relevant training needs and develop training programs.

Our Total Performance Management (TPM) program, meanwhile, is a journey towards excellence. It focuses on maximizing the use of resources by eliminating waste and engaging the hearts and minds of our people to create a continual improvement culture.

In addition, we have annual Townhall Meetings, where our President & CEO meets with all employees to make a pitch for Eagle’s annual company direction. We also have Monthly Huddles for managers to update, remind and reiterate directions and company goals with their respective teams. Our Mill Around, moreover, is a program designed to build connections with the bosses to encourage employees to express how they really feel. HR sits in our Company’s ManCom, offering valuable perspective on managing the entire workforce and creating programs that will ensure the sustainability of each individual performance.

Occupational Health and Safety

GRI 403-1, GRI 403-2, GRI 403-4, GRI 403-9

As a manufacturing Company that is dependent on a robust and productive employee base, Eagle is fully committed to healthy and safe working conditions in all areas of its operations. At Eagle, healthy and safe work conditions involve both the prevention of physical injuries and the promotion of workers’ overall health and well-being.

To demonstrate our commitment to workers’ health and safety, Eagle regularly conducts pertinent training programs that ensures emergency preparedness and a comprehensive working knowledge among all staff of first aid and disaster preparedness.

We likewise regularly engage and consult workers, particularly those who work in riskier areas like production, in the development and implementation of our occupational health and safety system.

There are instances, however, that are difficult to predict and control. This was the case for one of our fabricators, who unfortunately died after he fell from the top of a blending silo while lifting a heavy steel plate along with two other workers. Even as our Company grieves for the untoward passing of one of our people, we at Eagle vow to work doubly hard to implement all the possible measures to prevent such accidents from ever happening again



Injuries and accidents

A. Health & Safety Data	
Safety Parameters	Performance
No. of employees in Health & Safety committee	37
Total Manhours	8,238,526
Lost time accidents	2
Number of occupational injuries/illnesses	21
Incidence Rate	0.56
Severity Rate	139.47
Lost days	6007
Fatalities	1
Work-related fatalities	1

B. List of Training programs conducted on Health & Safety	
Topics	No. of attendees
Fire fighting, Snatch and Rescue training with live fire Emergency Response Team (ERT)	28
Fire fighting, Snatch and Rescue training with live fire with ERT	21
Basic Fire fighting with ERT head office	13
Occupational First Aid and Basic Life Support training for ERT	12
Personal Protective Equipment awareness training	116
Defensive driving training (Superintendent and managers)	20
Work Permit and Job Hazard Assessment training	22
Self Contained Breathing Apparatus training	37

GRI 413-1, GRI 413-2

Growing in Tandem with Our Communities

No matter how high Eagle soars, our people's heart will always stay on the ground, right beside the communities who host our plants - the people whose lives are affected by our operations.

Social Development and Management Program

Our Company's Social Development and Management Program (SDMP) has been reaching out to our partner local communities since Eagle started its commercial operations in 2010.

Eagle's SDMP is a testament on how Corporate Social Responsibility (CSR) has always been part of our business model. We take sustainable development to heart and we believe in a business approach that benefits stakeholders socially, economically, and environmentally.

The first phase of Eagle's 5-Year SDMP took place from 2010 to 2014 with a total approved budget of P12.3 million. Various programs were implemented such as Scholarship Program, Construction of Deep well, school service for elementary and high school students and Health Services. The program benefitted more than 300 students and 60 farmers. Total expenses reached P14.1 million.



Now on its second phase, our SDMP for 2015-2019 carries a dedicated budget of P22.5 million and focuses on Health, Livelihood, Education, Infrastructure, and Human Resource Development. In 2018, Eagle's SDMP focused on two barangays that host Eagle's operations. These are Barangay Akle and Barangay Talbak in Bulacan.

Taking Flight

Beyond the immediate SDMPs that we implement in our two main partner barangays, Eagle has also been actively supporting various communities in nearby municipalities in Bulacan. In order to integrate and consolidate the numerous SDMP and CSR programs run by Eagle's Mining and Sustainability Department (MSD), we decided to launch the F.L.I.G.H.T. Program.

This umbrella CSR program guides our people in managing and executing all community relations program and initiatives of the Company. It gathers all our CSR efforts under six main themes: Family and Community, Livelihood and Employment, Infrastructure Support, Growth and Development, Health and Emergency Response, and Technology and Education.

Family and Community

Eagle believes that as the most basic unit of society, taking care of the Family is most integral in its efforts to nurture and care for communities under its wings.

- Values Formation Programs
- Community Building Programs
- Sponsorship and Participation in Barangay Activities
- Community Outreach Programs
- Tree Planting
- Clean-Up Drive
- Solid Waste Management

Livelihood and Employment

At the heart of Eagle's commitment to better lives are its efforts to help people help themselves by teaching and enhancing skills and providing opportunities for better and longer-term employment.

- Seed Capital for Farmers
- Water Farm Reservoir
- Farm Tools and Equipment
- Financial and Technical Support
- Establishment of Barangay Nursery

Infrastructure Support

Eagle is in the business of building infrastructure. We believe in expanding horizons by providing better access through better roads and stronger bridges.

- Road Concreting
- Installation of Streetlights
- Construction of School Classrooms
- Construction of Water System
- Cement Provision for Various Community Infrastructure Projects

Growth and Development

At Eagle, we do not only help start progress, we help follow-through. By providing skills training, we help set the road towards personal progress.

- Shielded Metal Arc Welding NC2 Training
- Electrical Installation and Maintenance NC2 Training
- Massage Therapy NC2 Training
- Beauty Care and Hair Dressing
- Motorcycle Repair

Health and Emergency Response

Eagle's eyes are set keen on the future. We do not only help build better lives but also help prepare for unforeseen events.

- Weekly Free Clinic
- Medical and Dental Mission
- Flu Vaccination
- Medical Tools and Equipment for Barangay Health Center
- Feeding Programs

Technology and Education

As a proponent of progress, Eagle is aware of the ever-changing trends in technology and development. We strive to keep in step with the times and commit to help our beneficiaries be prepared to face modern and future challenges.

- Scholarship Programs
- Provision of Books
- School Bus
- Allowance for Day Care Workers
- Cement Donation for Various School Facilities Improvement
- Teacher's Training
- Feeding Program
- Support to Alternative Learning System
- Construction of Classrooms

Protecting Our Natural Wealth

At Eagle, we strive to meet the highest standards in managing the use of natural resources. This ideal is embedded in our mission statement and is integral to our growing commitment to sustainable development.

Since we are primarily engaged in the production and distribution of cement, environmental stewardship is a critical aspect of the way we create and deliver value as our very business is dependent on the continued availability of natural materials, now and in the future.

As we expand our cement production capacities to meet our commitment to the country's economic growth, we are therefore equally committed to conserve energy and raw materials, reduce our CO₂ emissions, and protect biodiversity.



PMIEA bestows Eagle with Platinum Award

Eagle was conferred with the Platinum Award for Quarry Operations at the 65th Annual National Mine Safety and Environment Conference (ANMSEC) ceremony held in November 2018 in Baguio City. Eagle received the second highest award given by the Presidential Mineral Industry Environmental Award (PMIEA) Selection Committee (SC) for the said category. Eagle is the sole recipient of the PMIEA SC Achievement Award in 2018, besting other cement plants and quarry operations located in Bulacan.

This award marked an improvement from the Titanium Award received by Eagle for four consecutive years since 2014. The Platinum Award is a proof of Eagle's unwavering commitment and continuous strive towards sustainable development, through responsible mining and resource management and utilization.

The PMIEA recognizes the strong commitment and outstanding programs of various groups and entities involved in mining and quarry operations and mineral exploration. The award also honors best practices that uphold the responsible management of environment and natural resources.

Materials

The main raw material used in cement production is limestone. While limestone is an abundant natural resource, transforming limestone into lime to produce cement causes over 60% of our industry's CO₂ emissions. The use of alternative materials is therefore central to our environmental strategy. We are continuously finding opportunities to cushion our environmental impact in the areas we operate.

Eagle constantly explores the use of by-products from other industries, such as fly ash, bottom ash, and synthetic gypsum, to replace the excessive consumption of virgin raw materials such as pozzolan and natural gypsum. These initiatives consequently reduce mining activities and therefore contribute to energy conservation and lower carbon footprint.

Likewise, Eagle supports our partners in the industry by delivering pulverized limestone for the treatment of flue gases of those plants to be compliant to emission standards as required.

Throughout the supply chain, we optimize the transportation through back-loading of the materials to and from the source and destination plants, which is also another way we manage the handling of materials in a sustainable manner.

Materials Consumption <small>GRI 301-1</small>	
Bulacan Site	
Material	Unit (metric ton)
Limestone	4,187,193
Pozzolan	415,576
Silica	404,981
Shale	350,076
Coal Local	280,252
Coal Imported	224,478
Gypsum Synthetic	157,959
Flyash	94,755
Gypsum Natural	89,032
Bottom Ash	64,914
Iron Ore	57,769
Imported Clinker	52,386
Scombro	17,984

Energy and Fuel Efficiency

GRI 302-1, GRI 302-2

Eagle Cement implements programs to ensure that our energy and fuel consumption are monitored accurately and are at optimum levels of efficiency. We have installed vertical mills (and roller press) to lessen power consumption. This positively impacts our energy conservation drives even as we achieve cost-efficiencies.



Waste Heat Recovery Facility

Fuel Consumption	
Item	Diesel (liters)
Limestone Hauling	2,541,186
Hot Gas Generator (Finish Mill 3)	1,727,278
Hot Gas Generator (Finish Mill 4)	432,132
Pyro 2	188,684
Pyro 1	179,789
Pyro 3	155,468
Hot Gas Generator (Raw Mill 3)	121,532
Reliability	106,253
Others (vehicles)	45,010
TOTAL	5,497,332

Electricity Consumption

Facility	Amount (MWh)
Bulacan Plant Site	386,341
Head Office	117
TOTAL	386,458
Floor Area (sqm)	500,000
Energy Intensity	0.772 Mwh / sqm

Reducing our CO₂ Emissions

GRI 305-5

Cement is a basic construction material that is essential to public infrastructure and the growth of our economy. However, the production of cement traditionally results into the release of significant amounts of toxic fumes and carbon dioxide into the atmosphere.

To achieve greater reduction of our total emissions, we have in place a Waste Heat Recovery System which recycles heat that is lost from the preheater and clinker cooler and transforms it into electricity. By using this technology, we are able to generate up to 5% of the plant's power requirements equivalent to 20,709 MWh and reduce CO₂ emissions by an average of 1,200 tons per month.

In addition, we are now gearing up towards replacing bigger amounts of clinker in our final product Type1P, as the production of clinker results into bigger CO₂ emissions. In 2018, by replacing clinker with lower carbon binders, such as crushed limestone and fly ash, we are now able to reduce our CO₂ emissions by 27%.

Improving Air Quality

GRI 305-1, GRI 305-2, GRI 305-4

Eagle believes in what gets measured, gets managed, this is why in 2018, three units of CEMS (Continuous Emission Monitoring System) were purchased and are expected to run in 2019. This will measure real-time emission from the raw mill stack. The baseline values will be used for the determination of emission reduction targets in the future.

GHG Emission	
Bulacan Site	Amount (tonnes CO ₂ e)
Scope 1	2,444,929
Scope 2	275,076
TOTAL	2,720,005
GHG Intensity	11.07 tCO ₂ e / tonnes of cement produced

GHG Reduction	
Programs to reduce GHG emissions	Amount reduced (tonnes CO ₂ e)
Clinker Replacement	895,095
Waste Heat Recovery	14,749
Hot Gas Duct (from Cooler line 2) supplied to FM 3	998
Reforestation	207
TOTAL REDUCTION IN GHG EMISSION	911,049

Water Conservation

GRI 303-3, GRI 303-4, GRI 303-5

Eagle recognizes that water is a scarce resource and therefore promotes the responsible use of water in its operations. This is why our Company gives importance to recycling water and seeks to further integrate water conservation into our production systems. For instance, a portion of cooling water from our waste heat recovery system is reused for domestic purposes, such as road watering, this initiative allowed our company to save 300 liters per month.

As of 2018, our Bulacan plant’s primary water source is still groundwater, which comes from two deep wells that were constructed with the permission of the National Water Resources Board. In the coming years, Eagle aims to find alternative and more sustainable source of water as we take bolder steps to shape a highly sustainable business model.

Water Consumption	
Facility	Amount (cu.m)
Bulacan Site	300,944
Head Office	1,020
TOTAL	301,964



Biodiversity Site at Sitio Luwasan, Brgy. Akle, San Ildefonso, Bulacan

Biodiversity

GRI 304-2, GRI 304-3

Due to the nature of our business, we are acutely aware that we can leave potentially harmful impacts on the complex web of life that surrounds our production plants.

As such, Eagle rigorously pursues all pertinent biodiversity programs that enable us to operate without harming our ecosystems. Our goal is to turn the environmental challenges of our business into opportunities to bring about positive outcomes for biodiversity through responsible management and proactive conservation efforts.

In compliance with the requirements for our environmental compliance certificate, Eagle has commissioned a group of environmental experts to conduct a thorough assessment of the existing terrestrial flora and fauna count in the general location of the areas that will be quarried by Eagle in San Ildefonso, Bulacan.

The flora survey revealed several species of plants in the site as belonging to the IUCN Red List of 2016 as Vulnerable species. The terrestrial fauna assessment, meanwhile, recorded one specie, the Green Raquet-tail, as endangered. We will use these results, among many other insights revealed by the study, to craft effective environmental management, monitoring, protection and rehabilitation plans.

Beyond compliance, we are also supporting the Philippine Eagle Foundation as a fitting tribute to our brand and symbol of strength. So far, we have donated P3.0 million to the foundation to support the huge effort of conserving our rare Philippine eagle from extinction while restoring their denuded forest habitat.

Area Distribution	
Area Type	Area (Ha.)
Tenements (MPSA 181)	169.37
Disturbed (active mining site, industrial site, admin, access roads)	66.63
Unused (idle land within MPSA 181)	102.74
Rehabilitated/Planted Area (this includes area outside MPSA 181)	115.57
National Greening Project Area (apart from planted area)	123.05



Effluents and Waste

GRI 306-2, GRI 306-4

In compliance with RA 6969, our plants strictly follow hazardous waste management procedures. We built a material recovery facility in the plant as temporary storage for hazardous waste. We also treat and dispose hazardous waste through a DENR-accredited transporter and treater, which transports our hazardous wastes to a Treatment Storage and Disposal facility for final treatment or disposal.

Total weight of waste by type and disposal method <small>GRI 306-2</small>			
Waste Type	Name	Amount (in kg)	Disposal Method (all via Third Party Treater-accredited by regulatory body)
Hazardous Waste	Acid waste	2,750	Chemical Fixation/Immobilization
	Alkali waste	442	Chemical Fixation/Immobilization
	BFL	400 (pcs)	Mercury Recovery Technology
	Other mixed	5300	Chemical Immobilization
	Used oil	1050	Recycling Constituting Disposal
	Contaminated materials	300	Chemical Immobilization
	Contaminated containers	1400	Decontamination
	Pharmaceutical	100	Encapsulation
	E-waste	1500	Stabilization/Encapsulation
Solid waste		763,049	Sanitary Landfill

1 NO POVERTY



P642,876 spent on Livelihood Programs

8 DECENT WORK AND ECONOMIC GROWTH



86 New hires in workforce

2 ZERO HUNGER



Vitamin supplements and milk given to more than 120 senior Citizens

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Main/exclusive supplier for 3 major Infrastructure projects: NAIA Expressway and MRT 7 (exclusive supplier); NLEX-SLEX Connector (major supplier)

3 GOOD HEALTH AND WELL-BEING



More than 600 patients from the community given free medical care

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



386,458 MWh of Electricity Consumption

4 QUALITY EDUCATION



More than 80 students with education scholarship

13 CLIMATE ACTION



911,049 tCO₂ reduced

5 GENDER EQUALITY



23% female employees in workforce

15 LIFE ON LAND



115.57 ha. of land rehabilitated

6 CLEAN WATER AND SANITATION



301,964 cu. m of Water Consumption

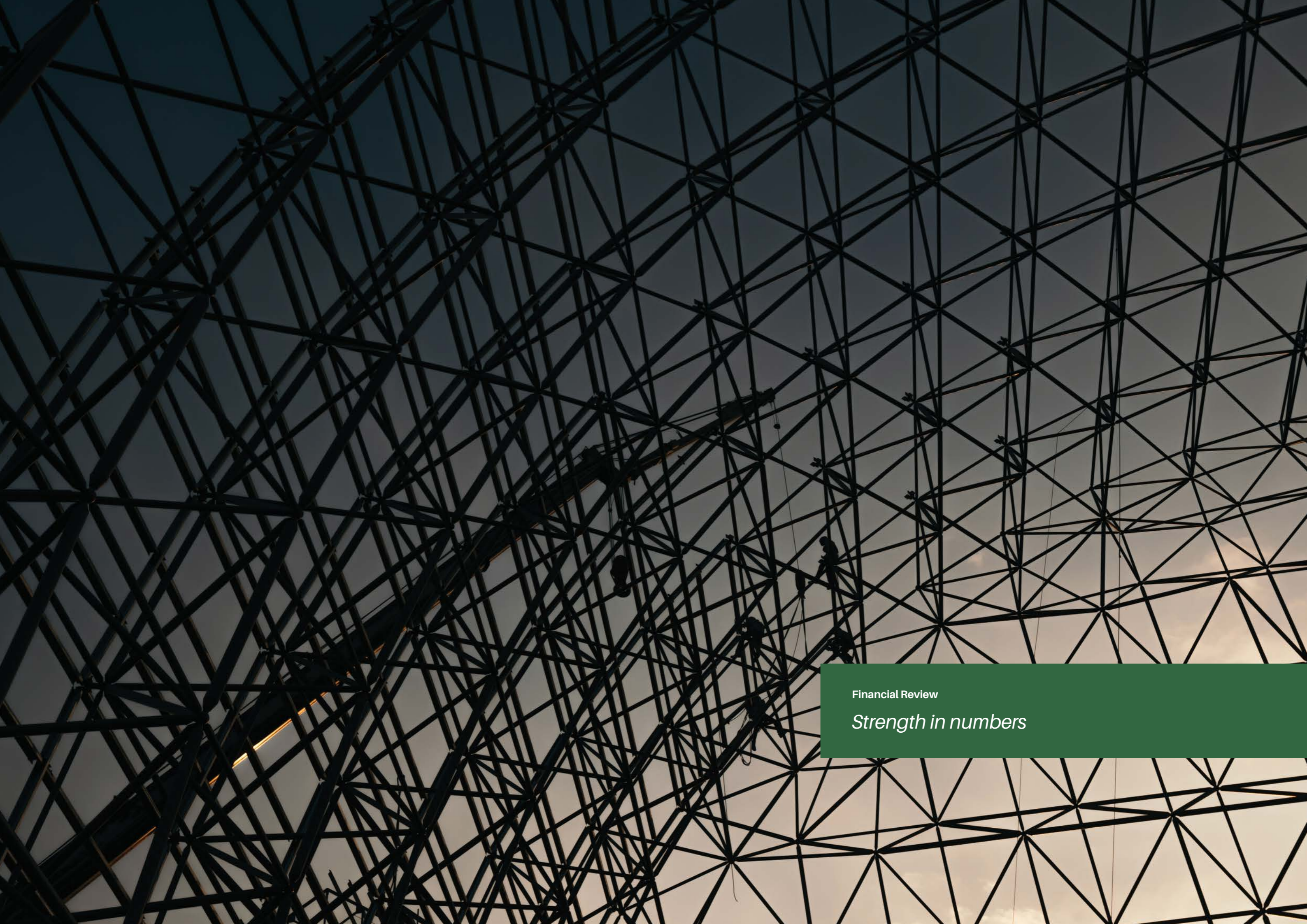
SUSTAINABLE DEVELOPMENT GOALS

		Page No.	Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016			
Organizational Profile			
GRI 102-1	Name of the organization	3	
GRI 102-2	Activities, brands, products, and services	3	
GRI 102-3	Location of headquarters	165	
GRI 102-4	Location of operations	3	
GRI 102-5	Ownership and legal form	38	
GRI 102-6	Markets served	25	
GRI 102-7	Scale of the organization	54	
GRI 102-8	Information on employees and other workers	54	
GRI 102-9	Supply chain	24	
GRI 102-10	Significant changes to the organization and its supply chain		None
GRI 102-11	Precautionary Principle or approach		None
GRI 102-12	External initiatives		Not Applicable [No such initiatives]
GRI 102-13	Membership of associations		Not Disclosed
Strategy			
GRI 102-14	Statement from senior decision-maker	14	
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	4	
Governance			
GRI 102-18	Governance Structure	34	
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	51	
GRI 102-41	Collective bargaining agreements	50	
GRI 102-42	Identifying and selecting stakeholders	51	
GRI 102-43	Approach to stakeholder engagement	51	
GRI 102-44	Key topics and concerns raised	51	

		Page No.	Omission
Reporting practice			
GRI 102-45	Entities included in the consolidated financial statements	All operations of Eagle Cement Corporation	
GRI 102-46	Defining report content and topic Boundaries	52	
GRI 102-47	List of material topics	52	
GRI 102-48	Restatements of information		None
GRI 102-49	Changes in reporting		None
GRI 102-50	Reporting period	2018	
GRI 102-51	Date of most recent report		Not Applicable
GRI 102-52	Reporting cycle	Annual	
GRI 102-53	Contact point for questions regarding the report	165	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	49	
GRI 102-55	GRI content index	69	
GRI 102-56	External Assurance		Not Applicable
Material Topics		Page No.	Omission
Economic Performance			
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundaries	76
GRI 201: Economic Performance 2016	GRI 201-1	Direct economic value generated and distributed	53
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	Mitigating activities are in place when calamities due to climate change occurs
GRI 202: Market Presence 2016	GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Eagle complies with the government standards on the wages and labor practices in the Philippine mining industry
	GRI 202-2	Proportion of senior management hired from the local community	
GRI 203: Indirect Economic Impacts 2016	GRI 203-1	Infrastructure investments and services supported	60
	GRI 203-2	Significant indirect economic impacts	61
GRI 205: Anti-corruption 2016	GRI 205-1	Operations assessed for risks related to corruption	None
	GRI 205-3	Confirmed incidents of corruption and actions taken	There were no such incidents
GRI 206: Anti-competitive Behavior 2016	GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Monopoly is against the values of the company

Material Topics			Page No.	Omission
Environment				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundaries	62	
GRI 301: Materials 2016	GRI 301-1	Materials used by weight or volume	63	
GRI 302: Energy 2016	GRI 302-1	Energy consumption within the organization	64	
	GRI 302-3	Energy Intensity	64	
GRI 303: Water 2018	GRI 303-3	Water Withdrawal	65	
	GRI 303-4	Water Discharged	65	
	GRI 303-5	Water Consumption	65	
GRI 304: Biodiversity 2016	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None of the operational mining sites are located in, or near any areas of high biodiversity	
	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	66	
	GRI 304-3	Habitats protected or restored	66	
GRI 305: Emissions 2016	GRI 305-1	Direct (Scope 1) Emissions	65	
	GRI 305-2	Energy Indirect (Scope 2) Emissions	65	
	GRI 305-4	GHG Intensity	65	
	GRI 305-5	Reduction in GHG Emissions	64	
GRI 306: Effluents & Waste 2016	GRI 306-2	Waste by type and disposal method	67	
	GRI 306-3	Significant spills	None	
	GRI 306-4	Transport of hazardous waste	67	
GRI 307: Environmental Compliance 2016	GRI 307-1	Non-compliance with environmental laws and regulations	There were no significant non-compliance with environmental laws	
Labor Practices & Employee Relations				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundaries	54	
GRI 401: Employment 2016	GRI 401-1	New employees hires and turnover	55	
	GRI 401-3	Parental Leaves	55	
GRI 402: Labor/ Management Relations 2016	GRI 402-1	Minimum notice periods regarding operational changes	Minimum notice periods regarding operational changes is implemented	
GRI 403: Occupational Health & Safety 2018	GRI 403-1	Occupational Health and Safety Management System	58	
	GRI 403-2	Hazard Identification, risk assessment, and incident investigation	58	
	GRI 403-4	Worker participation, consultation, communication on health and safety	58	
	GRI 403-9	Work-related injuries	58	

Material Topics			Page No.	Omission
GRI 404: Training & Education 2016	GRI 404-1	Average hours of training per year per employee	56	
	GRI 404-2	Program s for upgrading employee skills and transition assistance programs	56	
GRI 405: Diversity & Equal Opportunities 2016	GRI 405-1	Diversity of governance bodies and employees	39	
	GRI 405-2	Ratio of basic salary and remuneration of women to men		The ratio of salary is based on performance and position and not on gender
GRI 406: Non-discrimination 2016	GRI 406-1	Incidence of discrimination and corrective actions taken		There were no such incidents
GRI 407: Freedom of Association & Collective Bargaining 2016	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		None
GRI 408: Child Labor 2016	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor		None
GRI 409: Forced or Compulsory Labor 2016	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		None
GRI 410: Security Practices 2016	GRI 410-1	Security personnel trained in human right policies or procedures		All our security personnel are outsourced and are regularly trained by agency on human rights topics
GRI 411: Rights of Indigenous Peoples 2016	GRI 411-1	Incidents of violations involving rights of indigenous peoples		None
GRI 412: Human Rights Assessment 2016	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments		None
Community Development				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundaries	60	
	GRI 103-2	The management approach and its components	60	
GRI 413: Local Communities 2016	GRI 413- 1	Operations with local community engagement, impact assessments, and development programs	60	
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	60	



Financial Review

Strength in numbers

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis relate to the consolidated financial position and results of operations of the Group and should be read in conjunction with the accompanying audited consolidated financial statements and related notes. The audited consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (“PFRS”). PFRS includes statements named PFRS and Philippine Accounting Standards, including Interpretations issued by the PFRS Council.

The financial information appearing in this report and in the accompanying audited consolidated financial statements is presented in Philippine pesos, the Group’s functional and presentation currency, as defined under PFRS. All values are rounded to the nearest million pesos, except when otherwise indicated.

Key Components of Results of Operations

Revenues

ECC generates revenue mainly from the sale of cement (via cement bags or bulk cement). ECC sells majority of its products to dealer clients (via cement bags) but demand for bulk cement from institutional clients also account for a significant portion of total sales.

Cost of Goods Sold

Cost of goods sold represents the accumulated total of all costs used to produce cement which has been sold. It comprises variable and fixed and semi-variable expenses such as, electrical energy consumption, fuel consumption, raw materials, repairs and maintenance expenses, personnel expenses, depreciation and depletion of assets utilized in production of cement and clinker, expenses related to moving, storing, feeding of raw materials in the plant, and all other expenses directly identifiable to cement production.

Expenses related to personnel, equipment and other services involved in the sales, distribution, and warehousing activities of cement at points of sales does not form part of cost of sales. These are included in operating expenses. Freight expenses of finished products between plants and points of sale and freight expenses from points of sales to the facilities of the customers are included as part of distribution expenses.

Operating Expenses

Operating expenses consist of administrative and selling and distribution expenses. Administrative expenses include the costs of the employees (salaries and benefits), taxes and licenses, security services and depreciation of non-production related assets. Selling and distribution expenses comprise of, but not limited to, freight cost, warehousing fees, advertising and promotion and handling.

Finance Costs

Finance costs mainly consist of interest expense incurred in relation to the Term Loan Facility and Security Agreement (TLFSA), Notes Facility and Security Agreement (NFSA), and Syndicated Loan and Security Agreement (SLSA) entered into with various banks to finance the construction of the second and third production line cement plant.

Interest Income

Interest income basically comprise interest income earned from short-term placements cash deposits and finance lease agreement with its haulers.

Other Income – Net

Other income comprises of foreign exchange gain, fair value adjustment on investment properties, gain on sale of property and equipment, gain or loss on sale of investments and dividend income, net

of the loss on early debt extinguishment, which represents the pre-termination of the NFSA , SLSA and TLFSA using the proceeds from the initial drawdown of the TLFSA.

Income Taxes

Income taxes includes current and deferred income tax. Current income tax expense pertains to regular corporate income tax of the Parent Company. The statutory income tax rate of the Parent Company is 30% and the income tax at effective tax rate was 23.98%, 22.64% and 25.48% in CY 2016, CY 2017, and CY 2018, respectively, after taking into consideration the increase (decrease) in income tax resulting from: income exempt from ITH covered activities, non-deductible interest expense, interest income subjected to final tax, and dividend income exempt from income tax. On July 31, 2017, the Bureau of Investments approved the application of the Parent Company as an expanding producer of cement in Bulacan on a nonpioneer status. In May 2018, the Group started commercial operations of Line 3. ITH incentive availed of by the Group in 2018 amounted to ₱171.5 million.

RESULTS OF OPERATIONS (2018 VS. 2017)

Eagle Cement Corporation (EAGLE or “the Company”) continued its earnings growth trajectory in 2018, posting a net income of ₱4.80 billion, a 13% jump from the ₱4.26 billion in the previous year.

EAGLE generated net sales of ₱16.52 billion in 2018, 11% better than the ₱14.87 billion it recorded in 2017, buoyed by the double-digit growth in sales volume. Of the Company’s net sales, 80% were derived largely from Type 1P or bagged cement while the remaining 20% is accounted for Type 1 or bulk cement, as the strong domestic demand is still driven by private consumption.

The 17% rise in cost of goods sold came mostly from the increase in quantity consumption of coal, coupled by the spike in prices of both imported and local coal. This was also driven by the use of imported clinker during the year to support operational requirements. However, this was partly cushioned by lower electricity cost.

This led gross profit to rise by only 4% to ₱7.21 billion relative to the previous year, with margin contracting to 44%.

Operating expenses went up by 12% to ₱1.57 billion from ₱1.40 billion a year earlier, owing mainly to the upsurge in selling and distribution costs, as well as the increase in manpower expenses.

Finance costs declined by 6% to ₱365.79 million, following the partial repayment of loan in 2018 amounting to ₱534.0 million.

Other income significantly grew by 207% to ₱469.61 million, mainly attributable to the revaluation gain of KB Space’s properties.

Income tax expense rose by 20% to ₱1.50 billion due to the growth in net income for the year.

These movements resulted in an Earnings before interest, tax, depreciation and amortization (EBITDA) of ₱6.82 billion, growing by 9% from ₱6.26 billion in the previous year. This translated into an EBITDA margin of 41%.

Meanwhile, net income margin was held steady at 29%.

The table below summarizes the consolidated results of operations of the Group for the years ended December 31, 2018, 2017 and 2016, presented in absolute amounts as a percentage of net sales.

	For the Year Ended December 31				
	2018	2017	2016	% of Change	
	(in Millions of Philippine Pesos, except percentages)			2018 vs 2017	2017 vs 2016
Net Sales	16,522	14,872	13,276	11%	12%
Cost of Goods Sold	9,311	7,945	6,339	17%	25%
Gross Profit	7,211	6,927	6,937	4%	0%
Operating Expenses	1,568	1,403	1,294	12%	8%
Income from Operations	5,643	5,524	5,643	2%	(2%)
Finance costs	366	390	375	(6%)	4%
Interest Income	548	223	89	146%	151%
Other income - net	470	153	54	207%	183%
Income Before Income Tax	6,295	5,510	5,411	14%	2%
Income Tax Expense	1,496	1,248	1,298	20%	(4%)
Net Income	4,799	4,262	4,113	13%	4%

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

	For the year ended	
	December 31, 2018	December 31, 2017
Net income	₱4,798,343,056	₱4,263,433,888
Add:		
Income tax expense	1,495,849,341	1,248,005,597
Depreciation and amortization	710,148,534	585,907,433
Finance costs	365,786,275	389,737,492
Less:		
Interest income	547,543,036	222,815,663
EBITDA	₱6,822,584,170	₱6,264,268,747

FINANCIAL CONDITION

The financial position of the Company for the year ended 31 December 2018 remains optimal and well-capitalized, with total assets growing by 7% to ₱45.46 billion.

Cash and cash equivalents declined by 3% to ₱16.18 billion, as a result of dividends paid to shareholders amounting to ₱1.34 billion. Current assets at the end of the year totaled to ₱19.44, 3% lower than end of 2017. Noncurrent assets rose by 17% to ₱26.02 billion.

Current liabilities grew by 15% to ₱4.66 billion while noncurrent liabilities declined by 11% to ₱7.98 billion.

Interest bearing loans totaled to ₱8.32 billion, a 6% drop from ₱8.84 billion at the end of 2017, owing to the partial repayment of ₱534 million in 2018.

Total liabilities went down by 3% to ₱12.64 billion while stockholder's equity rose by 12% to ₱32.82 billion.

EAGLE remains compliant with its loan covenants, with debt to equity ratio registering at 0.39x while financial debt to equity ratios stood at 0.25x. The current gearing gives the Company more flexibility to support its investment plans. Meanwhile, current ratio stood at 4.17x while return on equity is at 15%.

Summary of Consolidated Statements of Financial Position

	December 31			Percentage of Change
	2018	2017	Increase/(Decrease)	
	(in Millions of Philippine Pesos, except percentages)			
Current Assets	19,443	20,036	(593)	(3%)
Noncurrent Assets	26,020	22,327	3,693	17%
Total Assets	45,463	42,362	3,100	7%
Current Liabilities	4,658	4,056	602	15%
Noncurrent Liabilities	7,985	8,931	(946)	(11%)
Total Liabilities	12,643	12,987	(344)	(3%)
Equity	32,820	29,375	3,445	12%
Total Liabilities and Equity	45,463	42,363	3,100	7%

Company Performance and Profitability and Liquidity

Key Performance Indicators

Relevant Financial Ratios

The table below shows the comparative key performance indicator of the Company:

Financial KPI	Formula	2018	2017	2016
Current/liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	4.17	4.94	3.34
Solvency ratio	$\frac{\text{Net income before depreciation}}{\text{Total liabilities}}$	0.44	0.37	0.51
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.39	0.44	0.51
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.39	1.44	1.51
Return on asset ratio	$\frac{\text{Net income before interest expense after tax}}{\text{Average total assets}}$	0.12	0.13	0.18
Return on equity ratio	$\frac{\text{Net income}}{\text{Average total equity}}$	0.15	0.18	0.25

Capital Expenditure

EAGLE ended 2018 with a total capital expenditure of ₱2.58 billion. Of that amount, 66% was spent for the construction of the third production line in Bulacan, 9% was disbursed on building and improvements, 5% was accounted for plant machinery and equipment, 6% was spent on acquisition of investment properties, 6% was disbursed on land acquisitions and the balance of 8% was spent on Construction In Progress, transportation equipment, and furniture, fixture and office equipment.

MATERIAL CHANGES IN THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME (YEAR-END 2018 VS. YEAR-END 2017)

Net Sales – 11% increase

Mainly attributable to the increase in sales volume amid the competitive market environment.

Cost of Goods Sold – 17% increase

Cost of inventories – 28% increase

Increase was mostly due to the increase in quantity consumption of coal due to higher heat rate, coupled with price upsurge of both local and imported coal. The use of imported clinker in 2018 to support operational requirements also contributed to the increase.

Personnel Costs – 39% increase

Increase was driven by the additional headcount due to the start of commercial operations of Line 3 and the increased rates of employees.

Rental – 35% increase

Increase was primarily due to the rental of equipment and machineries related to raw materials.

Fuel and Oil – 214% increase

Increase was mainly attributable to the upsurge in excise tax resulting from the expanded tax rate pursuant to TRAIN law.

Operating Expenses – 12% increase

Freight, trucking, and handling – 18% increase

Increase was due to the growth in sales volume and 8% growth in freight rate resulting from the surge in fuel prices.

Personnel costs – 20% increase

Increase was attributable to the increase in employees from an average of 366 in 2017 to an average of 426 in 2018 as well as the salary increase for the year.

Taxes and licenses – 13% decrease

Decrease pertains to the ₱4.6 million tax credit from Mandaluyong due to adjustment in prior years.

Warehousing fees – 32% increase

Increase was mainly driven by sales volume growth and the start of commercial operations of the new warehouse in Pangasinan.

Other expenses – 61% decrease

Decrease was primarily due to expenses amounting to ₱61.8 billion incurred during the initial public offering (IPO) in 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (END 2018 vs. END 2017)

Current Assets – 3% decrease

Financial Assets at FVPL – 16% decrease

Decline pertains to the sale of 3,102.0 million equity securities at ₱14.5 million, and unrealized losses amounting to ₱18.9 million recognized due to the decline in market values of shares held for trading.

Trade and other receivables – 25% decrease

Trade receivables decreased during the year, despite the increase in sales due to effective collection management, resulting to lesser AR days.

Other current assets – 33% increase

Increase is mainly attributable to the ₱151 million increase in DSRA account maintained for the repayment of portion of the loan due/payable and interest in Q1 2019, and the increase in downpayment for trade-related purchases in 2018 amounting to ₱103 million.

Noncurrent Assets – 17% increase

Investment Properties – 102% increase

Increase was on account of the ₱165 million acquisition of property, and the ₱435.81 million revaluation gain in the market value of KB Space's properties.

Other noncurrent assets – 194% increase

Increase was attributable to the ₱650 million long-term placements with various banks and the ₱1 billion deposit for future limestone deliveries.

Current Liabilities – 15% increase

Income tax payable – 21% increase

Increase was due to the 13% growth in net income

Current portion of loans payable – 85% increase

Increase pertains to the ₱968.3 million reclassification from non-current loans payable and was offset by the ₱534 million partial repayment of loan in 2018.

Noncurrent Liabilities – 11% decrease

Loans payable – net of current portion – 12% decrease

Increase was due to reclassification to current loans payable.

Net Retirement benefit liability – 95% increase

Increase was due to the actuarial valuation as a result of the increase in the number of employees.

Equity – 12% increase

Total retained earnings – 26% increase

Increase was due to the ₱4.80 billion net income which was partially offset by the dividend payment of ₱1.34 billion to common and preferred shareholders.

Liquidity and Capital Resources

Cash Flows

The primary sources and uses of cash of the Company for calendar years 2018, 2017 and 2016 were as follows:

	For the years ended December 31		
	2018	2017	2016
	(in Millions of Philippine Pesos, except percentages)		
Cash flows provided by operating activities	4,691.5	5,458.0	6,207.9
Cash flows used in investing activities	(2,871.6)	(4,748.7)	(3,121.5)
Cash flows provided by (used in) financing activities	(2,398.3)	9,407.1	(924.5)
Net effect of exchange rate changes on cash and cash equivalents	16.7	1.5	(13.9)
Net increase (decrease) in cash and cash equivalents	(561.7)	10,116.3	2,161.9
Cash and cash equivalents at beginning of year	16,738.7	6,620.9	4,472.9
Cash and cash equivalents at end of year	16,177.0	16,738.7	6,620.9

Net Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities was ₱4.69 billion. This was primarily the result of net income before taxes of ₱6.29 billion, adjusted for non-cash items and changes in working capital, including depreciation and amortization of ₱710.15 million, finance cost of ₱365.79 million, gain on fair value changes in investment properties of ₱435.81 million, income taxes paid of ₱1.45 billion, interest received of ₱537.20 million and net increase in working capital of ₱798 million.

Net Cash Flow Used in Investing Activities

The net cash flows used in investing activities of ₱2.87 billion was mainly due to the purchase and acquisition of property, plant and equipment amounting to ₱2.10 billion and long-term placement of ₱650.00 million.

Net Cash Flows Provided by / Used in Financing Activities

The net cash flows used in financing activities of ₱2.40 billion comprised of dividends payments to both common and preferred stockholders amounting to ₱1.34 billion and payments of loans and interest of ₱1.06 billion.



EAGLE CEMENT CORPORATION

Head Office: 153 Brgy. Wack Wack, EDSA Mandaluyong City, Philippines
 Plant: Bgy. Akle, San Ildefonso Bulacan, Philippines
 Tel. No.: +632-301-3453
 www.eaglecement.com.ph

“STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS”

The management of **Eagle Cement Corporation** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at |December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including schedules attached therein, and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
 Chairman of the Board

JOHN PAUL L. ANG
 Chief Executive Officer

MONICA L. ANG
 Chief Financial Officer



Signed this 5th day of April, 2019

Doc.: _____
 Page: _____
 Book: _____
 Series of _____

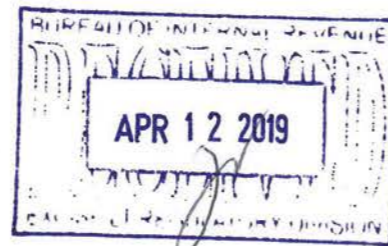
REPUBLIC OF THE PHILIPPINES)
Quezon City) S.S.

SUBSCRIBED AND SWORN to before me on 11 April 2019 at Quezon City, the following affiants exhibited to me their competent evidence of identity:

Name	Competent Evidence of Identity	Date/Place Issued
Ramon S. Ang	Passport No. EC 3542718	27 Feb 2015/ Manila
John Paul L. Ang	Passport No. EC 3654556	12 Mar 2015/ Manila
Monica L. Ang	Passport No. P4589065A	02 Oct 2017/ Manila

Doc. No. 91 ;
Page No. 30 ;
Book No. 2 ;
Series of 2019.

K. Salendrez
ATTY. KAREP. SALENDREZ-PANGILINAN
Notary Public for Quezon City
Commission until 31 December 2020
Adm. Matter No. NP-104(2019-2020)
Roll No. 69872
PTR No. 7662175/ 01/31/19; QC
IBP No. 069524/ 01/16/2019; QC



EAGLE CEMENT CORPORATION

Head Office: 158 Brgy. Wack Wack, EDSA Mandaluyong City, Philippines
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"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The Management of **Eagle Cement Corporation** (the Company) is responsible for all information and representations contained in the Annual Income Tax Return as at December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Eagle Cement Corporation** and are complete and correct in all material respects. Management likewise affirms that:

- the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

R. S. Ang
RAMON S. ANG
Chairman of the Board

J. P. L. Ang
JOHN PAUL L. ANG
Chief Executive Officer

M. L. Ang
MONICA L. ANG
Chief Financial Officer



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Eagle Cement Corporation and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Eagle Cement Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018, 2017 and 2016, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Financial Assets Arising from Public Listing

As discussed in Note 1 to the consolidated financial statements, the Parent Company was listed and traded in the Philippine Stock Exchange (PSE) through an Initial Public Offering (IPO) on May 29, 2017. Proceeds from the IPO amounted to ₱7,500.0 million, of which ₱531.6 million was spent for expenses incurred during the IPO and ₱47.5 million for the construction of a Cebu facility. This is considered as a key audit matter because the amount of proceeds from the IPO is substantial in relation to the consolidated financial statements as a whole and due to the PSE's requirement for the validation of the utilization of proceeds from the public listing.

We have performed audit procedures to validate the recording and utilization of proceeds from public listing. We have also assessed the propriety of recognition, classification, and measurement of the recognized financial assets from proceeds of the IPO. In addition, we have validated against supporting documents the amount of spending from the IPO proceeds and ascertained appropriate recording in the Group's consolidated financial statements.

Accounting for Construction of the Third Production Line

As discussed in Note 10 to the consolidated financial statements, the Group's third production facility is substantially complete as at December 31, 2018. Total cost of property, plant and equipment capitalized for the third production line amounted to ₱6,402.8 million as at December 31, 2018, which includes construction in progress totaling ₱5,949.3 million that was reclassified to the specific component of property, plant and equipment account. This is a key audit matter because of the significance of the amount incurred during the construction.

We have assessed the completeness and validity of the costs incurred during the construction, including capitalization of borrowing costs and any directly attributable costs arising from the construction. Further, we have validated the reclassification of the amount of construction in progress to specific component of property, plant and equipment, and assessed the reasonableness of estimated useful lives and appropriateness of the depreciation method, including commencement of depreciation.

Revenue Recognition

The Group manufactures, markets, sells, and distributes cement products and byproducts. As discussed in Note 20 to the consolidated financial statements, net sales of the Group amounted to ₱16,522.0 million in 2018. The Group recognizes sales to customers when the performance obligation in the contract has been satisfied, generally when goods are delivered and the title and control to the goods has passed to the buyer.

We determined that the revenue recognition of the Group is a key audit matter because of the inherent risk related to the completeness, existence, and accuracy of the revenue recognition arising from the Group's arrangements with its key customers. We have performed an understanding of the revenue cycle and revenue recognition policy of the Group. We have also reviewed the arrangement with these customers vis-à-vis their transactions during the year to determine proper revenue recognition. In addition, we have validated, on a test basis, against supporting documents the revenue transactions during the year and ascertained proper recording in the Group's consolidated financial statements.

Accounting for Inventories

As discussed in Note 7 to the consolidated financial statements, the Group has inventories amounting to ₱1,504.5 million as at December 31, 2018. These inventories mostly pertain to raw materials, goods in process, and spare parts. We determined this to be a key audit matter because of the significance of the total amount of inventories to the consolidated financial statements.

We have performed audit procedures to validate the existence, completeness, and valuation of the Group's inventories. We have also observed the physical inventory count, performed the test of inventory count summarization and reconciliation of count results with the records, reviewed and tested inventory costing, and ascertained that inventories are measured at the lower of cost or net realizable value.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

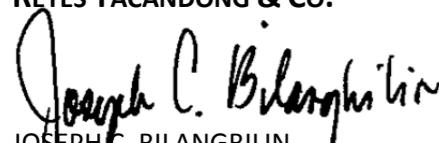
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Joseph C. Bilangbilin.

REYES TACANDONG & Co.



JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1541-A

Valid until May 1, 2019

BIR Accreditation No. 08-005144-011-2017

Valid until March 8, 2020

PTR No. 7334337

Issued January 3, 2019, Makati City

February 28, 2019

Makati City, Metro Manila

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱16,176,951,641	₱16,738,683,868
Financial assets at fair value through profit or loss (FVPL)	5	181,560,935	215,626,947
Trade and other receivables	6	482,727,903	643,845,666
Inventories	7	1,504,461,175	1,613,291,624
Other current assets	8	1,097,864,503	824,329,394
Total Current Assets		19,443,566,157	20,035,777,499
Noncurrent Assets			
Property, plant and equipment	10	22,300,332,078	20,625,848,694
Investment properties	11	1,188,021,000	587,430,000
Intangible assets	13	192,767,648	193,379,822
Investment in an associate	12	75,000,000	75,000,000
Financial assets at fair value through other comprehensive income (FVOCI)	9	100,012,500	109,280,325
Other noncurrent assets	14	2,163,882,774	735,832,279
Total Noncurrent Assets		26,020,016,000	22,326,771,120
		₱45,463,582,157	₱42,362,548,619
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	15	₱3,374,720,837	₱3,272,206,156
Current portion of loans payable	16	968,274,930	522,240,494
Income tax payable		315,428,292	261,610,493
Total Current Liabilities		4,658,424,059	4,056,057,143
Noncurrent Liabilities			
Loans payable - net of current portion	16	7,354,299,391	8,322,574,321
Net retirement benefit liability	25	56,311,997	28,874,113
Provision for mine rehabilitation and decommissioning	17	28,565,568	27,318,208
Net deferred tax liabilities	27	545,528,478	552,423,148
Total Noncurrent Liabilities		7,984,705,434	8,931,189,790
Total Liabilities		12,643,129,493	12,987,246,933
Equity			
Capital stock	18	8,000,000,005	8,000,000,005
Additional paid-in capital		6,525,506,098	6,525,506,119
Retained earnings:			
Appropriated		7,500,000,000	3,500,000,100
Unappropriated		9,463,410,006	10,000,182,366
Other equity reserves		1,331,536,555	1,349,613,196
Treasury stock		-	(100)
Total Equity		32,820,452,664	29,375,301,686
		₱45,463,582,157	₱42,362,548,619

See accompanying Notes to Consolidated Financial Statements.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2018	2017	2016
NET SALES	20	₱16,522,046,309	₱14,872,481,027	₱13,275,952,635
COST OF GOODS SOLD	21	9,310,948,838	7,944,609,717	6,339,354,109
GROSS PROFIT		7,211,097,471	6,927,871,310	6,936,598,526
OPERATING EXPENSES	22	1,568,268,283	1,402,663,926	1,293,523,020
INCOME FROM OPERATIONS		5,642,829,188	5,525,207,384	5,643,075,506
FINANCE COSTS	16	(365,786,275)	(389,737,492)	(375,468,671)
INTEREST INCOME	4	547,543,036	222,815,663	89,001,566
OTHER INCOME - Net	23	469,606,448	153,153,930	53,803,426
INCOME BEFORE INCOME TAX		6,294,192,397	5,511,439,485	5,410,411,827
INCOME TAX EXPENSE (BENEFIT)	27			
Current		1,498,968,804	1,300,894,673	1,277,729,580
Deferred		(3,119,463)	(52,889,076)	19,922,686
		1,495,849,341	1,248,005,597	1,297,652,266
NET INCOME		4,798,343,056	4,263,433,888	4,112,759,561
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Unrealized gain (loss) on financial assets at FVOCI	9	(9,267,825)	3,267,075	(533,400)
Revaluation of land (net of deferred tax)	10	-	71,822,759	43,558,933
Remeasurement gains (losses) on net retirement benefit liability (net of deferred tax)	25	(8,808,816)	10,402,664	4,378,028
		(18,076,641)	85,492,498	47,403,561
TOTAL COMPREHENSIVE INCOME		₱4,780,266,415	₱4,348,926,386	₱4,160,163,122
Basic/Diluted Earnings Per Share	31	₱0.92	₱0.85	₱0.88

See accompanying Notes to Consolidated Financial Statements.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock - ₱1 par value		Additional Paid-in Capital	Retained Earnings		Financial Assets at FVOCI	Cumulative Gains on Unrealized	Cumulative Remeasurement Gains on Net Retirement Benefits Liability (Net of Deferred Tax)	Treasury Stock	Total Equity
		Common Stock	Preferred Stock		Appropriated	Unappropriated					
Balances as at December 31, 2017		₱5,000,000,005	₱3,000,000,000	₱6,525,506,119	₱3,500,000,100	₱10,000,182,366	₱9,267,825	₱15,257,371	₱1,325,088,000	₱-	₱29,375,301,686
Net income		-	-	-	-	4,798,343,056	(9,267,825)	-	-	-	4,798,343,056
Other comprehensive loss		-	-	-	-	(5,000,000,000)	-	-	-	-	(8,808,816)
Appropriations	18	-	-	-	5,000,000,000	-	-	-	-	-	-
Reversal of appropriations	18	-	-	-	(1,000,000,000)	1,000,000,000	-	-	-	-	-
Sale of treasury shares	18	-	-	(21)	-	100	-	-	-	100	79
Cash dividends declared	18	-	-	-	-	(1,335,115,516)	-	-	-	-	(1,335,115,516)
Balances as at December 31, 2018		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱7,500,000,000	₱9,463,410,006	₱-	₱6,448,555	₱1,325,088,000	₱-	₱32,820,452,664
Balances as at December 31, 2016		₱4,500,000,002	₱3,000,000,000	₱-	₱3,500,000,000	₱5,961,748,578	₱6,000,750	₱4,854,707	₱1,253,265,241	₱-	₱18,225,869,278
Net income		-	-	-	-	4,263,433,888	-	-	-	-	4,263,433,888
Other comprehensive income		-	-	-	-	-	3,267,075	-	-	-	85,492,498
Issuance of common stock	18	500,000,003	-	6,525,506,119	-	-	-	10,402,664	-	-	7,025,506,122
Acquisition of common stock	18	-	-	-	-	-	-	-	-	(100)	(100)
Appropriations		-	-	-	100	(100)	-	-	-	-	-
Cash dividends declared	18	-	-	-	-	(225,000,000)	-	-	-	-	(225,000,000)
Balances as at December 31, 2017		₱5,000,000,005	₱3,000,000,000	₱6,525,506,119	₱3,500,000,100	₱10,000,182,366	₱9,267,825	₱15,257,371	₱1,325,088,000	₱-	₱29,375,301,686

	Note	Capital Stock - ₱1 par value		Retained Earnings		Cumulative Unrealized Gains on Financial Assets at FVOCI	Revaluation Surplus (Net of Deferred Tax)	Cumulative Remeasurement Gains (Losses) on Net Retirement Benefits Liability (Net of Deferred Tax)	Total Equity
		Common Stock	Preferred Stock	Appropriated	Unappropriated				
Balances as at December 31, 2015		₱500,000,000	₱3,000,000,000	₱4,000,000,000	₱5,923,989,017	₱6,534,150	₱1,209,706,308	₱476,679	₱14,640,706,154
Net income		-	-	-	4,112,759,561	-	-	-	4,112,759,561
Other comprehensive income (loss)		-	-	-	-	(533,400)	43,558,933	-	47,403,561
Common stock dividends	18	4,000,000,000	-	-	(4,000,000,000)	-	-	-	-
Issuance of common stock to independent directors		-	-	-	-	-	-	-	-
Stock transaction costs	18	2	-	-	(20,000,000)	-	-	-	(20,000,000)
Reversal of appropriations		-	-	(4,000,000,000)	4,000,000,000	-	-	-	-
Appropriations	18	-	-	3,500,000,000	(3,500,000,000)	-	-	-	-
Cash dividends declared and paid	18	-	-	-	(555,000,000)	-	-	-	(555,000,000)
Balances as at December 31, 2016		₱4,500,000,002	₱3,000,000,000	₱3,500,000,000	₱5,961,748,578	₱6,000,750	₱1,253,265,241	₱4,854,707	₱18,225,869,278

See accompanying Notes to Consolidated Financial Statements.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱6,294,192,397	₱5,511,439,485	₱5,410,411,827
Adjustments for:				
Depreciation and amortization	10	710,148,534	585,907,433	666,421,928
Interest income	4	(547,543,036)	(222,815,663)	(89,001,566)
Fair value changes in investment properties	11	(435,811,000)	(9,630,000)	(146,485,843)
Finance costs	16	365,786,275	389,737,492	375,468,671
Trading loss (gain) on financial assets at FVPL	5	19,596,342	(5,190,446)	-
Retirement benefit costs	25	14,461,027	13,548,386	12,431,506
Unrealized foreign exchange losses (gains)		(14,057,755)	305,461	13,920,906
Dividend income	23	(12,874,199)	(6,799,819)	(6,794,448)
Loss on cancellation of finance lease contracts	23	6,164,277	-	-
Gain on sale of property, plant and equipment	23	(2,997,477)	(6,382,827)	(19,497,183)
Recovery of claims from tax credit	23	-	(39,610,708)	-
Write-off of investment property		-	-	102,661,000
Loss on early debt extinguishment		-	-	100,385,644
Operating income before working capital changes		6,397,065,385	6,210,508,794	6,419,922,442
Decrease (increase) in:				
Trade and other receivables		160,348,960	(132,028,285)	(175,113,836)
Inventories		137,054,168	(196,793,963)	(317,637,401)
Other current assets		(273,535,109)	(136,466,282)	428,318,671
Other noncurrent assets		(932,307,112)	(10,690,452)	49,581,134
Increase in trade and other payables		110,753,521	936,504,881	225,938,931
Net cash generated from operations		5,599,379,813	6,671,034,693	6,631,009,941
Income taxes paid		(1,445,151,005)	(1,411,394,360)	(509,201,407)
Interest received		537,233,142	198,358,434	86,062,463
Net cash provided by operating activities		4,691,461,950	5,457,998,767	6,207,870,997
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment		(2,098,149,262)	(4,688,709,718)	(2,231,144,174)
Long-term placements	14	(650,000,000)	-	-
Investment properties	11	(164,780,000)	-	-
Intangible assets	13	(106,942)	-	(4,000,000)
Deposit on asset purchase		(8,455,435)	(556,262,913)	(95,050,399)
Financial assets at FVPL		-	(239,544,001)	-
Acquisition of subsidiaries (net of cash acquired)	13	-	-	(385,102,332)
Advances for future investment	14	-	(130,379,343)	(359,775,000)
Financial assets at FVOCI		-	-	(56,250,000)
Proceeds from sale of:				
Financial assets at FVPL		14,469,670	29,107,500	-
Property, plant and equipment		3,945,480	7,256,946	144,196

(Forward)

EAGLE CEMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		Years Ended December 31		
	Note	2018	2017	2016
Collection of finance lease receivables	30	P18,574,487	P12,229,713	P4,618,310
Dividends received		12,874,199	6,797,075	5,095,179
Refund from cancellation of advances for future investment	14	-	810,784,312	-
Net cash used in investing activities		(2,871,627,803)	(4,748,720,429)	(3,121,464,220)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Dividends	18	(1,335,115,516)	(180,000,000)	(555,000,000)
Loans payable	16	(534,000,000)	-	(5,967,949,076)
Interest		(529,182,558)	(338,446,774)	(332,181,401)
Initial public offering expenses	18	-	(474,493,881)	-
Debt issuance costs		-	-	(49,354,839)
Stock transaction costs		-	-	(20,000,000)
Reissuance (acquisition) of treasury stock	18	79	(100)	-
Proceeds from:				
Initial public offering	18	-	7,500,000,000	-
Loan availment	16	-	2,900,000,000	6,000,000,000
Issuance of common stock to independent directors	18	-	3	2
Net cash provided by (used in) financing activities		(2,398,297,995)	9,407,059,248	(924,485,314)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(578,463,848)	10,116,337,586	2,161,921,463
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		16,731,621	1,458,713	(13,920,906)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,738,683,868	6,620,887,569	4,472,887,012
CASH AND CASH EQUIVALENTS AT END OF YEAR		P16,176,951,641	P16,738,683,868	P6,620,887,569

See accompanying Notes to Consolidated Financial Statements.

1. General Information

Corporate Information

Eagle Cement Corporation (ECC or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 21, 1995. The Parent Company and its wholly-owned subsidiaries, South Western Cement Corporation (SWCC) and KB Space Holdings, Inc. (KSHI) are collectively referred to herein as "the Group". SWCC and KSHI are also incorporated in the Philippines and registered with the SEC.

The Parent Company is a 60.21%-owned subsidiary of Far East Cement Corporation (the Ultimate Parent Company), an entity incorporated and domiciled in the Philippines. The Parent Company and SWCC are primarily engaged in the business of manufacturing, marketing, sale and distribution of cement, cement products and by-products. SWCC is still under the development stage as at February 28, 2019. KSHI will be engaged in property leasing. KSHI has not yet started its commercial operations as at February 28, 2019.

On May 29, 2017, the common stock of the Parent Company were listed and traded in the Philippine Stock Exchange (PSE) through an Initial Public Offering (IPO) under the trading name "EAGLE".

The registered office address of the Parent Company is 2/F SMITS Corporate Center, 155 EDSA, Barangay Wack-Wack, Mandaluyong City.

Status of Operations

The Group has the following Mineral Production Sharing Agreements (MPSA) granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) either through direct grant or assignment.

Grantee/Assignee	MPSA No.	Location	Date of Issuance
<u>Luzon sites:</u>			
ECC	245-2007-III	Dona Remedios Trinidad and San Ildefonso, Bulacan	July 25, 2007
ECC	181-2002-III	Akle, San Ildefonso, Bulacan	December 9, 2002
<u>Cebu sites:</u>			
ECC	100-97-VII	Ginatilan, Cebu	December 29, 1997
ECC	101-97-VII	Ginatilan and Malabuyoc, Cebu	December 29, 1997
SWCC	059-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 1996
SWCC	060-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 1996

These MPSAs have a term of 25 years from the issuance date and may be renewed thereafter for another term not exceeding 25 years. The Group started the commercial operations of the Luzon sites in 2010, while the Cebu sites are still under exploration and development stage as at February 28, 2019.

The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issuance by the Board of Directors (BOD) on February 28, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for the following:

	Measurement Bases
Financial assets at fair value through profit or loss (FVPL)	Fair Value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair Value
Land, included as part of "Property, plant and equipment" account	Revalued Amount
Investment properties	Fair Value

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the following valuation techniques:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes to the consolidated financial statements:

- Note 5 - Financial Assets at FVPL
- Note 9 - Financial Assets at FVOCI
- Note 10 - Property, Plant and Equipment
- Note 11 - Investment Properties
- Note 29 - Fair Value Measurement

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement*. It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value through profit or loss or through other comprehensive income (OCI), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at FVPL that is attributable to changes in the credit risk of that liability is recognized in OCI (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

The Group has applied the requirements of PFRS 9 retrospectively. The Group's retrospective application of PFRS 9, however, did not result to restatement of account balances in comparative periods or any adjustment in the opening retained earnings of the earliest period presented in the consolidated financial statements.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Group's financial assets as at January 1, 2018 and 2017:

		2018		
	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱16,738,683,868	₱16,738,683,868
Trade and other receivables*	Loans and receivables	Financial assets at amortized cost	617,686,037	617,686,037
Finance lease receivable	Loans and receivables	Financial assets at amortized cost	63,677,735	63,677,735
Debt Service Reserve Account (DSRA)	Loans and receivables	Financial assets at amortized cost	129,304,272	129,304,272
Deposit in escrow	Loans and receivables	Financial assets at amortized cost	42,851,241	42,851,241
Restricted cash	Loans and receivables	Financial assets at amortized cost	8,757,247	8,757,247
Refundable deposits	Loans and receivables	Financial assets at amortized cost	19,146,887	19,146,887
Investment in quoted equity and debt securities	Financial assets at FVPL	FVPL	215,626,947	215,626,947
Investment in quoted equity securities	Available-for-sale (AFS) equity securities	Financial assets at FVOCI	109,280,325	109,280,325

*Excluding nonfinancial assets and current portion of finance lease receivables amounting to ₱8.7 million and ₱17.4 million, respectively as at January 1, 2018.

		2017		
	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱6,620,887,569	₱6,620,887,569
Trade and other receivables*	Loans and receivables	Financial assets at amortized cost	1,343,523,858	1,343,523,858
Finance lease receivable	Loans and receivables	Financial assets at amortized cost	76,269,900	76,269,900
DSRA	Loans and receivables	Financial assets at amortized cost	126,394,706	126,394,706
Deposit in escrow	Loans and receivables	Financial assets at amortized cost	40,923,906	40,923,906
Restricted cash	Loans and receivables	Financial assets at amortized cost	8,866,227	8,866,227
Refundable deposits	Loans and receivables	Financial assets at amortized cost	18,702,702	18,702,702
Investment in quoted securities	AFS equity securities	Financial assets at FVOCI	106,013,250	106,013,250

*Excluding nonfinancial assets and current portion of finance lease receivables amounting to ₱9.3 million and ₱21.1 million, respectively as at January 1, 2017.

The Group assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach (or general approach, as applicable), has no significant impact on the carrying amounts of the Group's financial assets.

Further, there is no significant impact on the basic and diluted earnings per share as a result of the Group's adoption of PFRS 9.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.). Further, the standard was subsequently amended to provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

Based on the Group's assessment, all of the Group's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly the delivery of goods. The Group recognizes revenue as control of the goods is transferred to the customer at the point of delivery. Accordingly, the adoption of PFRS 15 has no significant impact in the timing of the Group's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers* - Clarification to PFRS 15 – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures* - Measuring an Associate or Joint Venture at Fair Value – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- Amendments to PAS 40, *Investment Property* - *Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the nonmonetary prepayment asset or deferred income liability.

The adoption of the amendments to PAS 40 and Philippine Interpretation of IFRIC 22 have no significant impact on the Group's consolidated financial statements.

New and Amended PFRS Issued But Not Yet Effective as at December 31, 2018

Effective for annual periods beginning January 1, 2019:

- PFRS 16, *Leases* – The standard replaces PAS 17, *Leases* and its related interpretation. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Group's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Group will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16.

The Group is currently performing detailed assessment of the potential effect of this new standard. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the borrowing rate of the Group as at January 1, 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions. It is anticipated that the application of PFRS 16 will not have a significant impact on the amounts recognized in the consolidated financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures* – The amendment clarifies that an entity should apply PFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture to which the equity method is not applied.
- Amendments to PFRS 9, *Prepayments Features with Negative Compensation* – The amendment provides a narrow-scope amendment to PFRS 9 to enable companies to measure at amortized cost some prepayable financial assets with negative compensation.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group.

Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Parent Company and its wholly-owned subsidiaries.

A subsidiary is an entity in which the Parent Company has control. The Parent Company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, the Parent Company takes into consideration potential voting rights that are currently exercisable. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

All intra-group balances, transactions, income and expenses and unrealized gains and losses are eliminated in full. The financial statements of the subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If there is a loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. Any investment retained is recognized at fair value.

Business Combination and Goodwill. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is measured at fair value with changes in fair value recognized either in profit or loss or OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the business combination is accounted for using provisional amounts. Adjustments to provisional amounts and the recognition of newly identified assets and liabilities must be made within the 'measurement period' where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date. The measurement period cannot exceed one year from the acquisition date and no adjustments are permitted after one year except to correct an error.

After initial recognition, goodwill included under the "Intangible assets" account in the consolidated statements of financial position, is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU is retained.

Asset Acquisition. If the acquisition of an asset or a group of assets does not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Financial Assets

Initial Recognition and Measurement. Financial assets, are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVPL, includes transaction cost.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Group's business model for managing the asset and its contractual cash flow characteristics.

Financial Assets at Amortized Cost. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, the Group's cash and cash equivalents, trade and other receivables (except advances to employees), finance lease receivables, DSRA, deposit in escrow, refundable deposits, restricted cash, and long-term placements are classified under this category (see Notes 4, 6, 8, and 14).

Cash and cash equivalents include cash on hand, cash in bank, and short-term placements. These are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Debt Instruments at FVOCI. For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2018 and 2017, the Group does not have debt instruments at FVOCI.

Equity Instruments at FVOCI. For equity instruments that are not held for trading, the Group may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument by instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.

As at December 31, 2018 and 2017, the Group irrevocably designated certain quoted investments in equity securities as financial assets at FVOCI because the Group considers these investments to be strategic in nature (see Note 9).

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not “solely for payment of principal and interest”, and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Group may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31 2018 and 2017, the Group’s investments in various listed debt and equity securities are classified under this category (see Note 5).

Reclassification. The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost and FVOCI. The Group recognizes an allowance for ECL for all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset’s original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For other debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The Group considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized costs, the initial measurement is net of any directly attributable transaction costs.

Classification. The Group classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2018 and 2017, the Group does not have liabilities at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2018 and 2017, the Group’s trade and other payables (except advances from customers and statutory payables), and loans payable are classified under this category (see Notes 15 and 16).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Classification of Financial Instrument between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of raw materials, goods in process and finished goods are calculated based on standard costing method. Standard cost is adjusted to reflect actual cost which is principally determined using the moving average method. The cost of finished goods and goods in process comprise raw materials, direct labor and other direct costs and related production overheads. The NRV of raw materials, goods in process and finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and of marketing and distribution.

Cost is determined using the moving average method for spare parts and supplies. The NRVs of spare parts and supplies are the current replacement costs. Spare parts are carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment are recorded under "Property, plant and equipment" account in the consolidated statements of financial position when the Group expects to use these for more than one year or if these can be used only in connection with an item of property, plant and equipment.

Other Nonfinancial Current Assets

Other nonfinancial current assets include advances to suppliers and prepayments.

Advances to Suppliers. Advances to suppliers are amounts paid in advance for the purchase of goods and services. These are carried at face amount in the consolidated statements of financial position and are recognized to appropriate asset account or in profit or loss when the services or materials for which the advances were made are received and delivered. Advances to suppliers wherein the related assets to which the advances were made will be used primarily for the purpose of trading are classified as current assets. Otherwise, these are classified as noncurrent assets.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized within 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Property, Plant and Equipment

Land is accounted for using the revaluation model.

Under the revaluation model, land is initially recorded at cost and subsequently measured at fair value less impairment losses, if any. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded initially in OCI and accumulated to the other equity reserves account in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

The following property, plant and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value:

- Machinery and equipment
- Building and improvements
- Transportation equipment
- Furniture, fixtures and other office equipment

The initial cost of property, plant and equipment comprises its purchase price, after deducting trade discounts and rebates, including import duties, non-refundable purchase taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable in bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

	Number of Years
Machinery and equipment	5 to 30
Building and improvements	10 to 30
Transportation equipment	5
Furniture, fixtures and other office equipment	3 to 5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction in progress represents properties under construction and is stated at cost. Cost includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, and property under construction or redevelopment, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such in accordance with the policy under property, plant and equipment up to the date of change in use.

Investment in an Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is accounted for under equity method. The investment is initially recognized at cost and adjusted to recognize the Group's share in net assets of the associate since the acquisition date. Dividends received by the Group from the associate will reduce the carrying amount of the investment when the right to receive the dividend is established. The Group recognizes its share in net income or loss of the associate in profit or loss. Any change in OCI of the associate is presented as part of the Group's OCI. In addition, where there has been change recognized directly in equity of the associate, the Group recognizes its share in any changes, when applicable in the consolidated statements of changes in equity.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associates are prepared in the same reporting period as the Group.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Such borrowing costs are capitalized net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Stripping Costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine before the production phase commences (development stripping) are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using unit-of-production method. The capitalization of development stripping costs ceases when the mine is commissioned and ready for use as intended by management. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping.

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to the ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a 'stripping activity asset', if the following criteria are met:

- a. Future economic benefits (improved access to the ore body) are probable;
- b. The component of the ore body for which access will be improved can be accurately identified; and
- c. The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are recognized in profit or loss as operating costs when incurred.

Intangible Assets

Intangible assets include mining rights and goodwill.

Mining rights are stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Mining rights are amortized over their useful lives on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets with finite useful lives are recognized in profit or loss.

The useful life of an intangible asset arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the intangible asset is expected to be used by the Group. Mining rights are amortized on a straight-line basis over 25 years.

When mining rights are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Other Nonfinancial Noncurrent Assets

Other nonfinancial noncurrent assets include deposit on asset purchase and deferred exploration and development costs.

Deposit on Asset Purchase. Deposit on asset purchase, measured at face amount less any allowance for impairment, represents advance payments for long term supply of raw materials and advance payments for the purchase of property, plant and equipment.

Deferred Exploration and Development Costs. Deferred exploration and development costs arising from the Group's exploration and evaluation activities are carried at cost less accumulated impairment losses, if any.

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. These include the following:

- Acquisitions of rights to explore;
- Gathering exploration data through geophysical studies;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements; and
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource.

Exploration and evaluation expenditures are deferred as asset when future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred up to the point when a commercial reserve is established.

Deferred exploration and development costs are assessed for impairment before these are reclassified to "Property, plant and equipment" account in the consolidated statements of financial position. Any impairment loss is recognized in profit or loss. If the mining property is found to contain no commercial reserves, the deferred exploration and development costs are charged to profit or loss.

Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment, intangible assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is initially recognized as a deduction in revaluation reserves then in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Advances from Customers

Advances from customers consist of amounts received by the Group from its customers as advance collections for the sale of goods. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in the consolidated statements of comprehensive income when the goods for which the advances were made are transferred and delivered to the customers.

Value-Added Tax (VAT)

Revenue, expenses and assets are generally recognized net of the amount of VAT. The net amount of VAT payable to the taxation authority is included as part of "Trade and other payables" account in the consolidated statements of financial position.

Deferred Input VAT

In accordance with Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

Deferred input VAT that are expected to be claimed against output VAT within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets. Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Rebates

The Group provides rebates to certain customers based on the level of their purchases which may be applied against the amount of their existing or future payables to the Group. The rebates granted by the Group are not considered as a variable consideration as defined in PFRS 15.

The Group's accrual for sales rebates is included as part of "Trade and other payables" account in the consolidated statements of financial position.

Equity

Common Stock. Common stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of new common stock are recognized as a deduction from equity, net of any tax effects.

Preferred Stock. Preferred stock is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. It is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of new preferred stock are recognized as a deduction from equity, net of any tax effects.

Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD.

Retained Earnings. Retained earnings represent the cumulative balance of results of operations, net of any dividend declaration.

Unappropriated retained earnings pertain to the unrestricted portion available for dividend declaration. Appropriated retained earnings pertain to the restricted portion which is intended for expansion projects and other significant business activities of the Group.

The Group recognizes a liability to pay dividends when the distribution is authorized and no longer at the discretion of the Group. A corresponding amount is recognized directly in equity. Stock dividends result in movement within the equity when approved by the stockholders and BOD of the Group.

Other Equity Reserves. Other equity reserves comprise of items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Group pertain to cumulative unrealized gains on financial assets at FVOCI, revaluation surplus on land and cumulative remeasurement gains on net retirement benefit liability.

Treasury Stocks. Treasury stocks represent issued shares repurchased by the Group. The consideration paid, including any directly attributable incremental costs, net of related taxes, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related taxes, is included in equity attributable to the equity holders of the Group.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

Sales. Sales are recognized at a point in time when control of the goods has transferred, when the products are delivered to the buyer, and the seller has no obligation that could affect the buyer's acceptance of goods.

Interest Income. Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend Income. Dividend income is recognized when the Group's right to receive payment is established.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of Goods Sold. Cost of goods sold is recognized as expense when the related goods are delivered to and accepted by customers.

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market the goods. These include advertising and freight and handling, among others. These are expensed as incurred.

Employee Benefits

Short-term Benefits. The Group recognizes short-term employee benefits based on contractual arrangements with employees. Unpaid portion of the short-term employee benefits is measured on an undiscounted basis and is included as part of "Trade and other payables" account in the consolidated statements of financial position.

Retirement Benefit. Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Group recognizes service costs, comprising of current service costs, past service costs and net interest costs or income in profit or loss.

The Group determines the net interest costs by applying the discount rate to the net defined benefits liability at the beginning of the annual period, taking into account any changes in the net defined benefits liability during the period as a result of contributions and benefit payments.

Remeasurements of the net retirement benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI and are not reclassified to profit or loss in subsequent periods.

The net retirement benefit liability recognized by the Group is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related net retirement benefit liability.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Group as Lessor. Finance leases, which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recorded at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the interest income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Interest income is recognized in profit or loss.

Finance Costs

Finance costs include interest charges and other costs incurred in connection with the borrowing of funds. Finance costs also include any interest expense resulting from adjusting the amortized cost of financial liabilities based on the effective interest method.

All finance costs, other than capitalizable borrowing costs, are recognized in profit or loss in the period they are incurred.

Foreign Currency-Denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax over the Regular Corporate Income Tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and interest in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to nonrelated parties in an economically comparable market.

Segment Reporting

The Group reports separate information about each operating segment identified.

An operating segment is a component of the Group that engages in business activities: from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components; from whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment; and for which discrete information is available.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for Mine Rehabilitation and Decommissioning. Mine rehabilitation costs will be incurred by the Group either while operating or at the end of the operating life of the Group's facilities and mine properties. The Group assesses its provision for mine rehabilitation and decommissioning at each reporting date. The Group recognizes a provision where: it has a legal and constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of obligation can be made. The nature of rehabilitation activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closing plant and waste sites, and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the mining asset is installed, or the ground or environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it is incurred as a result of the development or construction of the mine.

Changes in the estimated timing of rehabilitation or changes in the estimated future costs are recognized prospectively as an adjustment to the provision for mine rehabilitation and decommissioning and the related mining asset.

Any decrease in the provision for mine rehabilitation and decommissioning and, therefore, any deduction from the asset may not exceed the carrying amount of the related mining asset. Any excess over the carrying amount is recognized in profit or loss.

If the change in estimate results in an increase in the provision for mine rehabilitation and decommissioning and, therefore, an addition to the carrying amount of the mining asset, the Group considers whether there is an indication of impairment of the asset as a whole. If any such indication exists and when the revised estimate for the mining asset (net of rehabilitation provisions) exceeds the recoverable amount, the increase is recognized as expense.

The discounted provision for mine rehabilitation and decommissioning is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic accretion of the discount is recognized in profit or loss as part of finance cost.

Rehabilitation funds committed for use in satisfying environmental obligations are included in "Other noncurrent assets" account in the consolidated statements of financial position.

Contingencies. Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Earnings per Share (EPS)

Basic EPS is calculated by dividing the net income (less preferred dividends net of tax, if any) for the year attributable to common stockholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgments and accounting estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

Judgments

Fair Value Measurement of Financial Instruments. The fair values of securities that are actively traded in organized financial markets are determined by reference to unadjusted quoted market prices at the close of business on the reporting date.

In accordance with the amendments to PFRS 7, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the consolidated statements of financial position.

Assumptions and methods of determining the fair values of financial instruments are presented in Note 29 to the consolidated financial statements.

Assessment of Production Start Date. The Group assesses the stage of development of the mine site to determine the start of production phase or the substantial completion of mining site development or production. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. The criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with construction cost estimate;
- Completion of a reasonable period of testing of the property, plant and equipment; and
- Ability to sustain ongoing production of limestone.

When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either capitalized as part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, mine development, or mineable reserve development. It is also at this point that depreciation or amortization commences.

The Luzon mining sites started their production and commercial operations in 2010. As at February 28, 2019, the Cebu mining sites have not yet started commercial operations.

Capitalization of Exploration and Development Expenditures. The Group makes judgments in determining whether there are future economic benefits from either future exploration or sale of mineral reserves to capitalize exploration and evaluation expenditures. The Group further applies estimates and assumptions about future events and circumstances to determine whether an economically viable extraction operation can be established.

Deferred exploration and development costs, presented under “Other noncurrent assets” account in the consolidated statements of financial position, amounted to ₱14.3 million as at December 31, 2018 and 2017 (see Note 14).

Classification as Finance Lease - Group as a Lessor. The Group has lease agreements with its haulers covering certain transportation equipment. Based on the evaluation of terms and conditions of the arrangements, the Group has determined that the risks and rewards of ownership of the transportation equipment have been transferred to its haulers. Accordingly, the lease agreements are accounted for as finance leases.

Finance lease receivables amounted to ₱42.7 million and ₱63.7 million as at December 31, 2018 and 2017, respectively (see Note 30).

Classification as Operating Lease - Group as Lessee. The Group has lease agreements for its office space, warehouse, and heavy equipment. The Group has determined that the risks and benefits related to the leased properties are retained by the lessors. Accordingly, the lease agreements are accounted for as operating leases.

Rental expense recognized in the consolidated statements of comprehensive income and recognized as component of inventories amounted to ₱259.2 million, ₱193.6 million and ₱140.8 million in 2018, 2017 and 2016, respectively (see Note 30).

Estimates and Assumptions

Assessment for ECL on Trade Receivables. The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The Group has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year while none of remaining balances are written-off or credit impaired as at reporting date. Accordingly, no provision for ECL on trade receivables was recognized in 2018, 2017, and 2016. The carrying amount of trade receivables is ₱388.9 million and ₱491.9 million as at December 31, 2018 and 2017, respectively (see Note 6).

Assessment for ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and,
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2018, 2017, and 2016. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2018	2017
Cash in banks and cash equivalents	4	₱16,176,157,980	₱16,737,987,581
Other receivables*	6	69,168,945	125,775,168
Finance lease receivables	6,14	42,738,080	63,677,735
DSRA	8	279,945,691	129,304,272
Long-term placements	14	650,000,000	–
Deposit in escrow	14	45,769,793	42,851,241
Refundable deposits	14	14,914,011	19,146,887
Restricted cash	14	26,482,096	8,757,247
		₱17,305,176,596	₱17,127,500,131

*Excluding nonfinancial assets and current portion of finance lease receivables amounting to ₱11.6 million and ₱13.1 million as at December 31, 2018 and ₱8.7 million and ₱17.4 million as at December 31, 2017.

Determination of NRV of Inventories. The Group writes down the cost of inventories whenever the NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The Group reviews the lower of cost and NRV of inventories on a periodic basis. NRV represents the estimated future selling price of the product based on prevailing prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. NRV test for spare parts and supplies is also performed annually. The NRV of spare parts and supplies represents the current replacement cost. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

As at December 31, 2018 and 2017, the cost of inventories is lower than its NRV. The carrying amount of inventories is ₱1,504.5 million and ₱1,613.3 million as at December 31, 2018 and 2017, respectively (see Note 7).

Estimation of Mineral and Quarry Reserves. Mineral and quarry reserves are estimates of the amount of minerals that can be economically and legally extracted from the Group's mining and quarry properties. The Group estimates its mineral and quarry reserves based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of minerals to be mined and processed, the configuration of the mineral body, expected recovery rates of minerals, estimated operating costs, estimated climatic conditions and other factors.

Changes in the mineral reserve or resource estimates may impact the carrying amounts of property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred tax assets, and depreciation and amortization charges.

The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production, and delivery costs and prices. These economic and technical estimates and assumptions may change depending on the quality and quantity of mineral extracted. The Group reviews and updates estimates annually, to reflect actual production, new exploration data or developments, and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining and quarrying activities, analyses of new engineering and geological data, changes in reserve and mineral resource holdings, modifications of mining and quarrying plans or methods, changes in mineral prices or production costs, and other factors.

Estimated limestone reserves from the Group's Luzon sites is 360.3 million metric tonnes and 373.5 million metric tonnes as at December 31, 2018 and 2017, respectively.

Estimation of Useful Lives of Property, Plant and Equipment and Mining Rights. The Group estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation, and experience with similar assets. The Group also amortizes mining rights based on the total term of the quarry permit which is 25 years pursuant to Republic Act (R.A.) 7942, the Philippine Mining Act of 1995.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and mining rights would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

There was no change in the estimated useful lives of property, plant and equipment and mining rights in 2018 and 2017.

The carrying amount of property, plant and equipment (excluding land and construction in progress) is ₱19,208.8 million and ₱13,099.4 million as at December 31, 2018 and 2017, respectively (see Note 10). The carrying amount of mining rights is ₱189.0 million and ₱189.6 million as at December 31, 2018 and 2017, respectively (see Note 13).

Determination of the Revalued Amount of Land (Included under Property, Plant and Equipment account). The Group has adopted the revaluation model in determining the carrying amount of land. The Group obtained the services of an independent appraiser in determining the fair value of land, and such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of those transactions. The amount and timing of recorded changes in fair value for any period would differ if the Group made different judgments and accounting estimates or utilized a different basis for determining fair value.

The carrying amount of land measured at revalued amount as at December 31, 2018 and 2017 is ₱2,633.1 million and ₱2,479.8 million, respectively (see Note 10).

Determination of Fair Value of Investment Properties. The Group measures its investment properties at fair value. The Group engaged an independent appraiser to assess fair value as at December 31, 2018 and 2017. The investment properties were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Estimated fair values of investment properties amounted to ₱1,188.0 million and ₱587.4 million as at December 31, 2018 and 2017, respectively (see Note 11).

Assessment for Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

No impairment loss on nonfinancial assets was recognized in 2018 and 2017. The carrying amount of nonfinancial assets are as follows:

	Note	2018	2017
Property, plant and equipment	10	₱22,300,332,078	₱20,625,848,694
Deposits on asset purchase	14	1,277,921,945	415,559,598
Advances to suppliers	8	444,884,701	342,248,993
Deferred input VAT	8,14	299,717,438	377,348,421
Intangible assets	13	192,767,648	193,379,822
Prepayments	8	162,689,277	158,169,889
Deferred exploration and development costs	14	14,255,710	14,251,246

Assessment of Recoverability of Deferred Exploration and Development Costs. Deferred exploration and development costs are capitalized in the period incurred until it has been determined that a property has no sufficient economically recoverable reserves, in which case the costs are written off as impairment losses. The Group reviews the carrying amounts of its mineral property interests whenever events or changes in circumstances indicate that their carrying amounts may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying amount of those assets exceeds its recoverable amount.

No impairment loss on deferred exploration and development costs was recognized in 2018, 2017 and 2016.

Recognition of Provision for Mine Rehabilitation and Decommissioning. The ultimate cost of mine rehabilitation and decommissioning is uncertain, and cost estimates can vary in response to many factors including estimates of the extent and costs of rehabilitation activities, changes in the relevant legal requirements, emergence of new restoration techniques or experience, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change in response to changes in quarry reserves or production rates. These uncertainties may result in future actual expenditure different from the amounts currently provided. As a result, there could be significant adjustments in provision for mine rehabilitation and decommissioning, which would affect future financial results.

Provision for mine rehabilitation and decommissioning is based on estimated future costs of rehabilitating the mine site using information available at the reporting date.

Provision for mine rehabilitation and decommissioning amounted to ₱28.6 million and ₱27.3 million as at December 31, 2018 and 2017, respectively (see Note 17).

Determination of Retirement Benefits. The determination of the net retirement benefit liability and expense is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 25 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded liability in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net retirement benefit liability.

Net retirement benefit liability amounted to ₱ 56.3 million and ₱ 28.9 million as at December 31, 2018 and 2017, respectively. Cumulative remeasurement gains on net retirement benefit liability (net of deferred tax) amounted to ₱6.4 million, ₱15.3 million and ₱4.9 million as at December 31, 2018, 2017 and 2016, respectively (see Note 25).

Recognition of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets amounting to ₱7.7 million and ₱4.7 million were not recognized as at December 31, 2018 and 2017, respectively. Management believes that the Parent Company will not be able to utilize in the future its deferred tax assets related to the allowable itemized deductions due to the expected continuous application of Optional Standard Deductions (OSD) and KSHI and SWCC will not have sufficient taxable income against which the benefits of the deferred tax assets can be utilized (see Note 27).

Deferred tax assets recognized amounted to ₱ 30.9 million and ₱ 20.9 million as at December 31, 2018 and 2017, respectively (see Note 27).

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	₱793,661	₱696,287
Cash in banks	1,296,275,844	1,719,291,961
Short-term placements	14,879,882,136	15,018,695,620
	₱16,176,951,641	₱16,738,683,868

Cash on hand pertains to petty cash fund and revolving funds. Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at rates ranging from 3.60% to 5.76% in 2018, 1.40% to 4.00% in 2017, and 2.25% to 3.75% in 2016.

Interest income is recognized from the following:

	Note	2018	2017	2016
Cash in banks and cash equivalents*		₱531,587,068	₱216,721,307	₱87,326,788
Long-term placements	14	11,868,342	–	–
Finance lease receivables	30	2,537,136	3,617,879	1,674,778
Financial assets at FVPL	5	1,550,490	2,476,477	–
		₱547,543,036	₱222,815,663	₱89,001,566

*includes interest income from DSRA, deposit in escrow and restricted cash

5. Financial Assets at FVPL

This account consists of:

	2018	2017
Equity securities	₱112,869,920	₱140,557,960
Debt securities	68,691,015	75,068,987
	₱181,560,935	₱215,626,947

Financial assets at FVPL are quoted equity and debt securities held by the Group for trading purposes.

Debt securities earn annual interest rate of 4.0% and 5.2% in 2018 and 2017, respectively. Interest income on debt securities amounted to ₱1.6 million and ₱2.5 million in 2018 and 2017, respectively (see Note 4).

In 2018, trading losses on financial assets at FVPL amounted to ₱19.6 million. In 2017, trading gains on financial assets at FVPL amounted to ₱5.2 million (see Note 23).

The Group's financial assets at FVPL as at December 31, 2018 and 2017 are carried at fair values based on sources classified under the Level 1 category. The fair values of financial assets at FVPL are based on quoted market prices or bidding dealer price quotations from active market as at the reporting date (see Note 29).

6. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade:			
Third parties		₱354,176,605	₱274,507,949
Related parties	19	34,702,288	217,402,920
Interest receivable		36,126,047	25,816,153
Current portion of finance lease receivables	30	13,116,638	17,437,329
Advances to officers and employees		11,563,427	8,722,300
Advances to related parties	19	5,000,000	33,748,773
Dividends receivable		1,702,013	1,702,013
Receivable from service provider		–	33,626,561
Others		26,340,885	30,881,668
		₱482,727,903	₱643,845,666

Trade receivables are noninterest-bearing and generally on a 30-day credit term.

Other receivables are normally settled throughout the year.

7. Inventories

This account consists of:

	2018	2017
Raw materials	₱670,321,849	₱577,664,940
Spare parts	405,205,292	443,892,207
Goods in process	307,502,183	431,443,463
Supplies	104,559,476	149,163,066
Finished goods	16,872,375	11,127,948
	₱1,504,461,175	₱1,613,291,624

Cost of inventories as at December 31, 2018 and 2017 is lower than its NRV. Cost of inventories sold amounted to ₱5,112.9 million, ₱4,000.1 million, and ₱3,077.3 million in 2018, 2017, and 2016, respectively (see Note 21).

Depreciation and amortization is distributed in the consolidated statements of comprehensive income as follows:

	Note	2018	2017	2016
Cost of goods sold	21	₱635,591,933	₱534,154,429	₱609,378,705
Operating expenses	22	74,556,601	51,753,004	57,043,223
		₱710,148,534	₱585,907,433	₱666,421,928

Revaluation of Land

The Group engaged an independent appraiser to determine the fair value of its land. The latest appraisal valuation reports were dated January 20, 2019 and were estimated using the Sales Comparison Approach. This is a comparative approach to value property that considers the sales of similar or substitute properties and related market data, and that establishes a value estimate by processes involving comparison. This fair valuation is classified under the Level 3 (significant unobservable inputs) (see Note 29).

Considering the foregoing and such factors as property location, desirability, neighbourhood, utility, size, terrain, and time element involved, the market value of the appraised land is estimated to range at ₱300 to ₱500 per square meter, or total value of ₱2,633.1 million as at December 31, 2018 for the entire land area of 7,030,809 square meters, and at ₱582 to ₱800 per square meter, or total value of ₱2,479.8 million as at December 31, 2017 for the land area of 3,653,785 square meters.

If the parcels of land were measured using cost model, the carrying amount should have been ₱740.1 million and ₱586.9 million as at December 31, 2018 and 2017, respectively.

Rollforward analysis of revaluation surplus is shown below:

	Note	2018		
		Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning and end of year	18	₱1,892,982,858	(₱567,894,858)	₱1,325,088,000
	Note	2017		
		Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning of year		₱1,790,378,915	(₱537,113,674)	₱1,253,265,241
Revaluation during the year		102,603,943	(30,781,184)	71,822,759
Balances at end of year	18	₱1,892,982,858	(₱567,894,858)	₱1,325,088,000
	Note	2016		
		Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning of year		₱1,728,151,868	(₱518,445,560)	₱1,209,706,308
Revaluation during the year		62,227,047	(18,668,114)	43,558,933
Balances at end of year	18	₱1,790,378,915	(₱537,113,674)	₱1,253,265,241

Revaluation surplus on land amounting to ₱102.6 million and ₱62.2 million for the years ended December 31, 2017 and 2016, respectively, is a noncash financial information excluded in the consolidated statements of cash flows.

Reclassification of Construction in Progress

As at December 31, 2018, the construction of the third line of the Group's cement manufacturing plant is substantially complete. Total cost of property, plant and equipment capitalized for the third production line amounted to ₱6,402.8 million which includes construction in progress totaling ₱5,949.3 million that was reclassified to the specific component of property, plant and equipment account. The third production line of the Group's cement manufacturing facility is expected to increase the production capacity from 5.1 million metric tonnes to 7.1 million metric tonnes of cement annually.

Capitalization of Borrowing Costs

Capitalized borrowing costs on the construction of the third line of the Group's cement manufacturing plant amounted to ₱165.5 million, ₱166.3 million, and ₱10.5 million for the years ended December 31, 2018, 2017, and 2016, respectively (see Note 16). The rates used to determine the amount of borrowing costs eligible for capitalization, which are the effective interest rates of the borrowings, range from 5.81% to 6.36% in 2018, 2017, and 2016.

This transaction is considered as a noncash financial information in the consolidated statements of cash flows.

Contractual Commitment

The Group has various ongoing construction related to its existing cement manufacturing plants as at December 31, 2018. The amount of remaining contracted capital expenditures with its contractors for these projects is ₱34.2 million as at December 31, 2018.

11. Investment Properties

The balances and movements in this account are as follows:

	Note	2018	2017
Balance at beginning of year		₱587,430,000	₱577,800,000
Additions		164,780,000	–
Fair value changes	23	435,811,000	9,630,000
Balance at end of year		₱1,188,021,000	₱587,430,000

The Group has not earned any rental income from its investment properties in 2018, 2017, and 2016.

Direct operating expenses arising from investment properties that do not generate rental income amounted to ₱4.8 million, ₱0.3 million and ₱0.04 million in 2018, 2017 and 2016, respectively.

The Group engaged an independent appraiser to determine the fair value of the investment properties as at December 31, 2018 and 2017. The latest appraisal valuation report was dated February 11, 2019 and used the Sales Comparison Approach. This approach compares sales of similar or substitute properties and related market data to establish an estimated value. The fair value of investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 29).

Considering the foregoing and such factors as the property location, desirability, neighbourhood, utility, size, terrain, and time element involved, the market value of the appraised land is estimated at ₱ 213,000 and ₱ 142,600 per square meter, or total value of ₱ 1,188.0 million as at December 31, 2018 for the entire land area of 7,169 square meters, and at ₱122,000 per square meter, or total value of ₱587.4 million as at December 31, 2017 for the land area of 4,815 square meters.

12. Investment in an Associate

The Group's investment in Armstrong Fly-ash and Logistics Company, Inc. (AFLCI), an associate, amounting to ₱75.0 million as at December 31, 2018 and 2017 represents 100% interest in preference shares. AFLCI is a domestic corporation and will be engaged in the manufacturing, developing, processing, marketing, sale and distribution of fly ash, bottom ash, hi carbon and other by-products. AFLCI has not yet started commercial operations.

The Group has significant influence over AFLCI because of its representation in the BOD of AFLCI and the existence of interlocking key management personnel. Accordingly, AFLCI is determined to be an associate of the Group.

The key financial information of the associate as at and for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Current assets	₱63,775,357	₱146,074,298
Noncurrent assets	386,308,030	311,819,884
Current liabilities	82,194,069	339,502,990
Noncurrent liability	300,000,000	29,150,300
Net assets	₱67,889,318	₱89,240,892
Net loss	₱21,344,161	₱2,800,018

13. Intangible Assets

This account consists of:

	2018	2017
Mining rights	₱188,961,130	₱189,573,304
Goodwill	3,806,518	3,806,518
	₱192,767,648	₱193,379,822

Mining Rights

Mining rights represent the Group's legal rights to undertake quarrying activities in the municipalities of San Ildefonso and Dona Remedios Trinidad in Bulacan, and municipalities of Ginatilan and Malabuyoc in Cebu. The balances and movements of mining rights are as follows:

	Note	2018	2017
Cost			
Balance at beginning of year		₱194,363,745	₱194,363,745
Additions		106,942	-
Balance at end of year		194,470,687	194,363,745
Accumulated Amortization			
Balance at beginning of year		4,790,441	4,071,325
Amortization	10	719,116	719,116
Balance at end of year		5,509,557	4,790,441
Carrying Amount		₱188,961,130	₱189,573,304

The Group assigns to the lenders under TLFSAs its rights and interest under MPSA No. 181-2002-III (see Note 16).

Goodwill

Goodwill amounting to ₱3.8 million was recognized as a result of the acquisition by the Parent Company of 100% ownership in SWCC on December 23, 2016. Total net cash outflow of the Parent Company from acquiring SWCC amounted to ₱385.1 million (net of cash acquired from SWCC amounting to ₱64.9 million).

No impairment loss on intangible assets was recognized in 2018, 2017, and 2016.

14. Other Noncurrent Assets

This account consists of:

	Note	2018	2017
Deposit on asset purchase		₱1,277,921,945	₱415,559,598
Long-term placements		650,000,000	-
Deferred input VAT - net of current portion		93,076,707	186,611,564
Deposit in escrow		45,769,793	42,851,241
Finance lease receivables - net of current portion	30	29,621,442	46,240,406
Restricted cash		26,482,096	8,757,247
Refundable deposits		14,914,011	19,146,887
Deferred exploration and development costs		14,255,710	14,251,246
Others		11,841,070	2,414,090
		₱2,163,882,774	₱735,832,279

Deposits

Deposit on asset purchase amounting to ₱1,277.9 million and ₱415.6 million as at December 31, 2018 and 2017, respectively, represents advance payments for the acquisition of machinery and equipment and long-term deposit for inventory acquisition.

On November 19, 2018, the Group entered into an agreement with Solid North Mineral Corporation (SNMC) for the acquisition of 3.9 million metric tonnes of limestone of a period of 10 years. In accordance with the terms of its agreement, the Group made a deposit to SNMC amounting to ₱1,000.0 million, which is included as component of deposit on asset purchase in the "Other noncurrent assets" account in the consolidated statements of financial position.

As at the December 31, 2018 and 2017, deposit on asset purchase amounting to ₱146.1 million and ₱774.4 million have been applied for acquisitions of property, plant and equipment. This transaction is considered as a noncash financial information in the consolidated statements of cash flows.

Deposit in escrow amounting to ₱45.8 million and ₱42.9 million as at December 31, 2018 and 2017, respectively, pertains to cash in escrow account related to a pending legal case.

Refundable deposits include bill deposits for electric charges at the Group's manufacturing plant which are refundable upon termination of service, and rental deposits related to long-term rentals of office space.

Long-term Placements

Long-term placements represent investment in time deposits at a rate of 5.86% for a term of five years. Interest income on long-term placements amounted to ₱11.9 million in 2018 (see Note 4).

Restricted Cash

Restricted cash pertains to rehabilitation funds established by the Group and deposited with a local bank for compliance with Department of Environment and Natural Resources Administrative Order No. 2005-07 for environmental protection and enhancement.

Deferred Exploration and Development Costs

Deferred exploration and development costs pertain to costs incurred for the exploration and development in the Mining Property of the Group.

The balances and movements in the account are as follows:

	2018	2017
Balance at beginning of year	₱14,251,246	₱5,866,082
Additions	4,464	8,385,164
Balance at end of year	₱14,255,710	₱14,251,246

Additions to deferred exploration and development costs pertain to costs incurred in drilling, hauling and other ongoing exploration activities. No impairment loss was recognized in 2018, 2017, and 2016.

The assets, expenses, and operating and investing cash flows from the deferred exploration and development costs are as follows:

	2018	2017
Total assets	₱14,255,710	₱14,251,246
Expenses	9,037,781	3,748,366
Net cash used in operating activities	17,736,958	3,545,654
Net cash used in investing activities	54,070,194	8,385,164

Advances for Future Investment

In 2015, pursuant to a Sale and Purchase Agreement (Agreement) for the acquisition of an option to acquire an investment, the Group paid a fee of US\$7.3 million (₱320.6 million). An extension fee was further paid for the Agreement amounting to US\$7.8 million (₱359.8 million) in 2016 and US\$2.6 million (₱130.4 million) in 2017. On April 24, 2017, the Agreement was terminated by the Group resulting to a refund of all the amounts paid in the Agreement amounting to US\$17.7 million (₱680.4 million).

15. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade:			
Third parties		₱1,557,924,524	₱1,784,367,970
Related parties	19	264,068,788	24,457,393
Accruals for:			
Sales rebates		263,887,824	223,452,215
Utilities		223,470,038	225,194,460
Personnel costs		81,195,773	42,890,845
Interests		34,814,031	45,726,739
Others		1,484,473	348,381
Retention payable		337,430,321	267,775,136
Advances from customers		287,543,226	464,733,240
Output VAT payable		82,777,561	3,546,562
Dividends payable	18	45,000,000	45,000,000
Withholding taxes payable		23,511,002	29,981,766
Advances from related parties	19	10,604,684	10,542,666
Others		161,008,592	104,188,783
		₱3,374,720,837	₱3,272,206,156

Trade payables are noninterest-bearing and generally settled in varying periods, within one year, depending on the arrangements with suppliers.

Accrual for sales rebates pertains to accrued monthly incentives granted to customers upon meeting a set quantity of orders.

Advances from customers are collections received for inventory purchases to be delivered by the Group within 30 days after collection date.

Retention payable represents retention fees of contractors and is normally settled within one year.

Other payables are noninterest-bearing and normally settled within one year.

16. Loans Payable

This account consists of:

	2018	2017
Principal	₱8,366,000,000	₱8,900,000,000
Less unamortized debt issuance costs	43,425,679	55,185,185
	8,322,574,321	8,844,814,815
Less current portion	968,274,930	522,240,494
Noncurrent portion	₱7,354,299,391	₱8,322,574,321

Debt issuance costs on loan availments are recognized as discount on loans. Amortization of debt issuance costs charged to "Finance costs" account in the consolidated statements of comprehensive income amounted to ₱11.8 million, ₱11.6 million, and ₱7.9 million in 2018, 2017, and 2016, respectively.

The loans are payable in 32 quarterly installments commencing on the 9th quarter from availment.

Details of the drawdowns under TLFSA are as follows:

Date	Drawdown	Effective Interest Rates	Nominal Interest Rates
February 3, 2016	₱6,000.0 million	5.81%	5.68%
January 11, 2017	2,150.0 million	6.36%	6.21%
April 5, 2017	750.0 million	5.89%	5.74%

The terms and conditions of TLFSA are as follows:

MTI. Under the MTI, land, building and machinery and equipment with appraised value of ₱20,397.2 million and carrying amount of ₱14,539.2 million as at December 31, 2018 are held as collateral to secure the loans payable.

DSRA. The Group is required to maintain a DSRA equal to the interest and principal due on the immediately succeeding payment date. As at December 31, 2018 and 2017, the DSRA maintained for TLFSA amounted to ₱279.9 million and ₱129.3 million, respectively. The DSRA is presented under "Other current assets" account in the consolidated statements of financial position (see Note 8).

Assignment of the MPSA. The Group assigns to the lenders its rights and interest under MPSA No. 181-2002-III (see Note 13).

On July 28, 2017, the Group notified its lender banks that it will not avail off the remaining ₱2,100.0 million undrawn amount from the TLFSA. Accordingly, deferred debt issuance cost for the undrawn portion of the facility amounting to ₱17.3 million was charged to profit or loss in 2017.

Finance Costs

Details of finance costs charged to consolidated statements of comprehensive income are as follows:

	Note	2018	2017	2016
Interest expense on loans payable		₱524,854,323	₱528,997,280	₱364,580,196
Bank charges		5,175,034	25,894,551	17,408,779
Accretion of provision for mine rehabilitation and decommissioning	17	1,247,360	1,192,893	1,140,804
Others		–	–	2,814,929
		531,276,717	556,084,724	385,944,708
Less capitalized borrowing costs	10	165,490,442	166,347,232	10,476,037
		₱365,786,275	₱389,737,492	₱375,468,671

Debt Covenants

The Group's debt instruments contain restrictive covenants which include, among others, use of proceeds, changes in the Group's nature of business and ownership structure, disposition of assets, material advances to stockholders and officers, entering into mergers and consolidations, incurrence of additional debt, and maintenance of certain financial ratios.

Further, the Group is required to maintain a debt-to-equity ratio of not greater than 2.50 and a debt service coverage ratio greater than 1.50 with respect to the next reporting period. As at December 31, 2018, the Group is in compliance with all the requirements of its debt covenants.

Reconciliation of Liabilities Arising from Financing Activity

The table below details changes in the Group's liabilities arising from financing activity, including both cash and noncash changes.

	2018	2017
Balance at beginning of year	₱8,844,814,815	₱5,957,076,062
Payment of principal	(534,000,000)	–
Amortization of debt issuance cost	11,759,506	11,593,592
Proceeds from loan availment	–	2,900,000,000
Additional debt issuance costs	–	(23,854,839)
Balance at end of year	₱8,322,574,321	₱8,844,814,815

17. Provision for Mine Rehabilitation and Decommissioning

The Group is required under its Environmental Compliance Certificate to perform rehabilitation and decommissioning of its cement manufacturing plant and quarry operation sites. Accordingly, the Group recognized its estimated liability for site rehabilitation and decommissioning. The provision is calculated based on the Group's estimate of expected costs to be incurred to rehabilitate and decommission the sites and is measured at its present value using 4.60% discount rate.

The balance and movement in this account is as follows:

	Note	
Balance at beginning of year		₱27,318,208
Accretion	16	1,247,360
Balance at end of year		₱28,565,568

The present value of the total estimated costs of mine rehabilitation and decommissioning amounting to ₱25.0 million computed upon initial recognition was capitalized as part of “Building and improvements” under “Property, plant and equipment” account in the consolidated statements of financial position. This is considered as a noncash transaction in the consolidated statements of cash flows.

18. Equity

Capital Stock

The capital stock of the Parent Company as at December 31, 2018 and 2017 is as follows:

Common stock - ₱1 par value	₱5,000,000,005
Preferred stock - ₱1 par value	3,000,000,000
	₱8,000,000,005

Common Stock

Details of the Parent Company’s common stock at ₱1.00 par value are as follows:

	2018		2017		2016	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized						
Balance at beginning of year	5,500,000,000	₱5,500,000,000	5,500,000,000	₱5,500,000,000	500,000,000	₱500,000,000
Increase in authorized common stock	-	-	-	-	5,000,000,000	5,000,000,000
Balance at end of year	5,500,000,000	₱5,500,000,000	5,500,000,000	₱5,500,000,000	5,500,000,000	₱5,500,000,000
Issued						
Balance at beginning of year	5,000,000,005	₱5,000,000,005	4,500,000,002	₱4,500,000,002	500,000,000	₱500,000,000
Stock dividends	-	-	-	-	4,000,000,000	4,000,000,000
Issuance of common stock to independent directors	-	-	3	3	2	2
Issuance of common stock	-	-	500,000,000	500,000,000	-	-
Balance at end of year	5,000,000,005	₱5,000,000,005	5,000,000,005	₱5,000,000,005	4,500,000,002	₱4,500,000,002

On April 29, 2016, the SEC approved the increase in authorized common stock of the Parent Company from ₱500.0 million divided into 500.0 million common stock at ₱1.00 par value per share to ₱5,500.0 million divided into 5,500.0 million common stock at ₱1.00 par value per share.

On May 5, 2017, the Parent Company bought back five of its common stock from a stockholder at ₱20.00 per share. On June 29, 2018, the Parent Company reissued its five common stock at ₱15.90 per share.

On April 20, 2017, the SEC resolved to render effective the Registration Statement of the Parent Company for the registration of up to five billion capital stock. On May 10, 2017, the PSE approved the Parent Company’s application for the initial listing of such shares under the Main Board of the PSE. On May 15, 2017, the SEC issued in favor of the Parent Company a Certificate of Permit to Offer Securities for Sale of the Five Hundred Million (500,000,000) common stock with an Oversubscription Option of up to Seventy-Five Million (75,000,000) common stock at an offer price of fifteen pesos (₱15.00) per share.

The Offer Period was from May 16, 2017 to May 22, 2017. On May 29, 2017, the shares of the Parent Company commenced trading in the PSE.

Preferred Stock

As at December 31, 2018 and 2017, the Parent Company has authorized, issued and outstanding preferred stock of 3,000.0 million shares with a par value of ₱1.00 per share amounting to ₱3,000.0 million.

Preferred stock is cumulative, non-participating, non-voting, not convertible to common stock and redeemable at the option of the Parent Company at the end of fifth year from the issue date, at the price of issue value plus all accumulated and unpaid dividends. Subject to the availability of unrestricted retained earnings of the Parent Company, the preferred stockholders shall be paid a cash dividend of 6.00% per annum or such rate as may be fixed by its BOD.

As at December 31, 2018, there is no dividend in arrears related to the preferred stock.

Additional Paid-in Capital

Additional paid-in capital consists of amount received in excess of the par value of the shares issued, net of directly attributable transactions costs on the initial public offering. Details are as follows:

	2018	2017
Proceeds in excess of par value	₱7,000,000,000	₱7,000,000,000
Less: IPO expenses	474,493,881	474,493,881
Reissuance of treasury stock	21	-
Additional paid-in capital	₱6,525,506,098	₱6,525,506,119

Dividend Declaration

The Parent Company’s BOD authorized the declaration of the following cash dividends in 2018, 2017 and 2016:

2018

Type	Declaration Date	Record Date	Payment Date	Amount
Preferred	March 15, 2018	March 15, 2018	April 23, 2018	₱45,000,000
Preferred	March 15, 2018	March 15, 2018	July 23, 2018	45,000,000
Preferred	March 15, 2018	March 15, 2018	October 22, 2018	45,000,000
Preferred	March 15, 2018	March 15, 2018	January 24, 2019	45,000,000
Common	May 3, 2018	May 31, 2018	June 26, 2018	1,155,115,516
				₱1,335,115,516

2017

Type	Declaration Date	Record Date	Payment Date	Amount
Preferred	January 9, 2017	January 15, 2017	January 23, 2017	₱45,000,000
Preferred	April 5, 2017	March 31, 2017	April 21, 2017	45,000,000
Preferred	June 29, 2017	May 31, 2017	July 21, 2017	45,000,000
Preferred	June 29, 2017	May 31, 2017	October 20, 2017	45,000,000
Preferred	June 29, 2017	May 31, 2017	January 24, 2018	45,000,000
				₱225,000,000

2016

Type	Declaration Date	Record Date	Payment Date	Amount
Preferred	January 6, 2016	January 15, 2016	January 22, 2016	₱45,000,000
Common	April 6, 2016	April 15, 2016	April 20, 2016	375,000,000
Preferred	April 6, 2016	April 15, 2016	April 22, 2016	45,000,000
Preferred	July 4, 2016	July 15, 2016	July 22, 2016	45,000,000
Preferred	October 5, 2016	October 15, 2016	October 21, 2016	45,000,000
				₱555,000,000

The BOD of the Parent Company declared cash dividends out of its unrestricted retained earnings amounting to ₱0.15 per preferred share in 2018, 2017 and 2016, and ₱0.23 and ₱0.08 per common share in 2018 and 2016, respectively.

Subsequent Dividend Declaration. On February 28, 2019, the Parent Company's BOD authorized the declaration of cash dividends to its preferred stockholders. Details are as follows:

Type	Declaration Date	Record Date	Payment Date	Amount
Preferred	February 28, 2019	February 28, 2019	April 22, 2019	₱45,000,000
Preferred	February 28, 2019	February 28, 2019	July 22, 2019	45,000,000
Preferred	February 28, 2019	February 28, 2019	October 21, 2019	45,000,000
Preferred	February 28, 2019	February 28, 2019	January 20, 2020	45,000,000
				₱180,000,000

Appropriation of Retained Earnings

Details of appropriated retained earnings as at December 31, 2018 are as follows:

Year of Appropriation	Amount	Project Completion
2016	₱2,500,000,000	To be completed in 2021
2018	5,000,000,000	To be completed in 2021
₱7,500,000,000		

On March 15, 2018, the Parent Company's BOD approved the appropriation of ₱5,000.0 million from unrestricted retained earnings to supplement the funding of construction of its fourth production line in Cebu which is expected to be completed in 2021.

On December 31, 2018, the Parent Company reversed the appropriation made in 2016 for the construction and commissioning of the third production line amounting to ₱1,000.0 million because of the substantial completion of the project during the year.

Other Equity Reserves

Details of the Group's other equity reserves are as follows:

	Note	2018	2017
Revaluation surplus (net of deferred tax)	10	₱1,325,088,000	₱1,325,088,000
Cumulative remeasurement gains on net retirement benefit liability (net of deferred tax)	25	6,448,555	15,257,371
Cumulative unrealized gains on financial assets at FVOCI	9	–	9,267,825
		₱1,331,536,555	₱1,349,613,196

19. Related Party Transactions

The Group has transactions with its related parties in the ordinary course of business. The outstanding balances and amount of transactions with related parties as at and for the years ended December 31, 2018 and 2017 are as follows:

Nature of Relationship	Nature of Transactions	2018		2017	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Cash and Cash Equivalents					
Entities under common key management with ECC	Cash deposits and investment in short-term placements	₱161,087,766	₱228,315,214	₱340,795,103	₱2,974,997,569
Trade Receivables (see Note 6)					
Entities under common key management with ECC	Sale of inventories	₱204,148,387	₱34,702,288	₱223,226,488	₱217,402,920
Advances to Officers					
Key management personnel	Cash advances	₱511,806	₱429,826	₱68,632	₱423,819
Advances to Related Parties (see Note 6)					
Ultimate Parent Company	Working capital advances	₱5,000,000	₱5,000,000	–	–
	Sale of equipment and working capital advances	–	–	–	33,748,773
Subsidiaries of Ultimate Parent Company		–	–	–	₱33,748,773
Advances to Suppliers					
Subsidiary of Ultimate Parent Company	Deposit for inventory acquisition	₱1,000,000,000	₱1,110,109,218	₱92,188,727	₱171,045,870
Financial Assets at FVOCI					
Entities under common key management with ECC	Investments in quoted equity instruments including dividends earned	₱12,874,199	100,012,500	6,799,819	109,280,325

Nature of Relationship	Nature of Transactions	2018		2017	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Trade Payables (see Note 15)					
Subsidiaries of Ultimate Parent Company	Hauling, rental and other services	₱893,240,254	₱180,034,750	₱449,517,685	₱10,460,023
Entities under common key management with ECC	Purchase of raw materials and outside services	407,210,224	84,034,038	247,036,467	13,997,370
			₱264,068,788		₱24,457,393
Accrued Expenses					
Entity under common key management	Purchase of services	₱2,062,623,194	₱213,454,072	₱-	₱-
Advances from Related Parties (see Note 15)					
Ultimate Parent Company	Working capital advances	₱-	₱10,300,998	₱-	₱10,300,998
Other stockholder	Working capital advances	-	303,686	-	241,668
			₱10,604,684		₱10,542,666
Retirement Benefit Plan	Actual return on plan assets	₱-	₱22,416,593	₱561,161	₱23,531,895
Personnel Costs					
Key management personnel	Salaries and other employee benefits	₱59,458,096	₱8,456,722	₱42,600,000	₱8,200,000
	Net retirement benefit liability	3,181,714	18,709,556	2,288,326	15,527,842
			₱27,166,278		₱23,727,842

Terms and Conditions of Transactions and Balances with Related Parties

Trade receivables, trade payables, and advances to and from related parties are unsecured, noninterest-bearing, generally settled in cash and collectible or payable on demand. No allowance for impairment losses was provided for trade and other receivables from related parties.

Deposit on asset purchase, including deposits for inventories, are settled upon delivery of the asset purchased.

20. Net Sales

This account consists of:

	2018	2017	2016
Sales	₱17,028,418,668	₱15,348,078,862	₱13,689,072,258
Rebates	(506,372,359)	(475,597,835)	(413,119,623)
	₱16,522,046,309	₱14,872,481,027	₱13,275,952,635

For the years ended December 31, 2018, 2017, and 2016, all sales of the Group pertains to cement products and by-products within Luzon area. All sales are recognized upon delivery to customers or at a point at which the Group has no more obligation that could affect the acceptance of goods by the customers.

Rebates are incentives granted to customers depending on their level of purchases at each reporting period. This is not considered as a variable consideration as defined in PFRS 15.

21. Cost of Goods Sold

This account consists of:

	Note	2018	2017	2016
Cost of inventories	7	₱5,112,930,070	₱4,000,076,310	₱3,077,305,220
Utilities		2,122,400,230	2,317,265,815	1,887,393,940
Depreciation and amortization	10	635,591,933	534,154,429	609,378,705
Repairs and maintenance		435,535,146	373,388,143	282,305,511
Personnel costs	24	348,739,193	251,483,975	184,026,743
Rental	30	224,568,896	166,304,770	120,451,690
Taxes and licenses		204,409,210	176,703,278	115,438,829
Fuel and oil		181,397,380	57,755,130	15,674,426
Insurance		34,622,600	35,319,106	27,349,838
Others		10,754,180	32,158,761	20,029,207
		₱9,310,948,838	₱7,944,609,717	₱6,339,354,109

22. Operating Expenses

This account consists of:

	Note	2018	2017	2016
Freight, trucking, and handling		₱911,200,908	₱771,147,005	₱669,477,244
Personnel costs	24	192,304,093	160,801,075	111,271,144
Depreciation and amortization	10	74,556,601	51,753,004	57,043,223
Advertising		71,684,892	77,893,324	60,850,141
Warehousing fees		50,869,134	38,440,406	28,579,697
Professional fees		44,423,166	44,896,761	37,268,186
Outside services		42,762,956	46,768,505	51,758,728
Transportation and travel		30,354,006	10,353,490	7,698,607
Repairs and maintenance		30,274,639	25,500,482	16,004,613
Rental	30	24,611,787	16,633,859	5,432,002
Taxes and licenses		21,504,816	24,615,749	52,295,793
Supplies		12,981,476	10,940,972	10,305,883
Utilities		5,752,239	9,084,945	5,067,552
Donation		5,038,084	4,964,191	36,204,148
Communication		5,035,647	5,058,534	3,442,842
Representation		2,972,510	5,286,384	7,186,822
IPO expenses		-	61,813,806	-
Write-off of investment property		-	-	102,661,000
Others		41,941,329	36,711,434	30,975,395
		₱1,568,268,283	₱1,402,663,926	₱1,293,523,020

23. Other Income - Net

This account consists of:

	Note	2018	2017	2016
Fair value changes in investment properties	11	₱435,811,000	₱9,630,000	₱146,485,843
Sale of scrap materials		28,069,295	–	–
Trading gains (losses) on financial assets at FVPL	5	(19,596,342)	5,190,446	–
Foreign exchange gains (losses) - net		16,048,690	73,987,618	(18,895,304)
Dividend income	9	12,874,199	6,799,819	6,794,448
Loss on cancellation of finance lease contracts	30	(6,164,277)	–	–
Gain on sale of property, plant and equipment		2,997,477	6,382,827	19,497,183
Recovery of claims from tax credit		–	39,610,708	–
Sale of by-product		–	6,443,960	–
Loss on early debt extinguishment		–	–	(100,385,644)
Others		(433,594)	5,108,552	306,900
		₱469,606,448	₱153,153,930	₱53,803,426

In 2016, the Group pre-terminated its Note Facility and Security Agreement and Syndicated Loan and Security Agreement using the proceeds of the TLFSAs resulting to a loss on early debt extinguishment of ₱100.4 million.

24. Personnel Costs

This account consists of:

	Note	2018	2017	2016
Salaries and wages		₱398,059,973	₱295,800,972	₱232,811,008
Retirement benefit costs	25	14,853,861	14,113,740	13,371,422
Other short-term employee benefits		143,607,115	119,633,401	71,883,051
		₱556,520,949	₱429,548,113	₱318,065,481

Personnel costs were distributed as follows:

	Note	2018	2017	2016
Included in profit or loss:				
Cost of goods sold	21	₱348,739,193	₱251,483,975	₱184,026,743
Operating expenses	22	192,304,093	160,801,075	111,271,144
		541,043,286	412,285,050	295,297,887
Recognized as component of inventories		15,477,663	17,263,063	22,767,594
		₱556,520,949	₱429,548,113	₱318,065,481

25. Net Retirement Benefit Liability

The Group has a funded, noncontributory defined benefit retirement plan covering substantially all of its qualified regular employees. The retirement benefit is based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees under the Group's defined benefit retirement plan meet the minimum mandated benefit under R.A. No. 7641. Net retirement benefit liability is based on the actuarial valuation report as at December 31, 2018 and 2017.

The components of retirement benefit costs included under "Personnel costs" account (see Note 24) in the consolidated statements of comprehensive income are as follows:

	2018	2017	2016
Current service cost	₱13,208,037	₱12,475,681	₱12,123,347
Net interest cost	1,645,824	1,638,059	1,248,075
	₱14,853,861	₱14,113,740	₱13,371,422

Retirement benefit costs were distributed as follows:

	2018	2017	2016
Included in profit or loss	₱14,461,027	₱13,548,386	₱12,431,506
Recognized as component of inventories	392,834	565,354	939,916
	₱14,853,861	₱14,113,740	₱13,371,422

Movements in net retirement benefit liability recognized in the consolidated statements of financial position are as follows:

	2018	2017
Balance at beginning of year	₱28,874,113	₱29,621,321
Retirement benefit costs	14,853,861	14,113,740
Remeasurement losses (gains)	12,584,023	(14,860,948)
Balance at end of year	₱56,311,997	₱28,874,113

The funded status of the retirement plan as at December 31, 2018 and 2017 are as follows:

	2018	2017
Present Value of Defined Benefits Obligation (PVBO)	₱78,728,590	₱52,406,008
Fair Value of Plan Assets (FVPA)	(22,416,593)	(23,531,895)
Net retirement benefit liability	₱56,311,997	₱28,874,113

The following tables present the changes in the PVBO and FVPA:

PVBO

	2018	2017
Balance at beginning of year	₱52,406,008	₱52,592,055
Current service cost	13,208,037	12,475,681
Interest cost	2,987,142	2,908,341
Remeasurement losses (gains) recognized in OCI:		
Experience adjustments	37,016,409	(14,043,283)
Change in financial assumptions	(26,889,006)	(1,526,786)
Balance at end of year	₱78,728,590	₱52,406,008

FVPA

	2018	2017
Balance at beginning of year	₱23,531,895	₱22,970,734
Interest income	1,341,318	1,270,282
Remeasurement losses	(2,456,620)	(709,121)
Balance at end of year	₱22,416,593	₱23,531,895
Actual return on plan assets	(₱1,115,301)	₱561,161

Plan assets consist of the following:

	2018	2017
Investments in:		
Debt instruments	73.75%	72.42%
Unit investment trust fund	29.14%	25.21%
Cash and cash equivalents	2.47%	0.65%
Others	(5.36%)	1.72%
	100.00%	100.00%

The principal assumptions used in determining net retirement benefit liability are as follows:

	2018	2017
Discount rate	7.51%	5.70%
Future salary increase	10.00%	10.00%

Sensitivity analyses on net retirement benefit liability as at December 31, 2018 and 2017 are as follows:

	Change in Assumption	Effect on Net Retirement Benefit Liability	
		2018	2017
Discount rate	+1.00%	(₱10,781,795)	(₱7,846,214)
	-1.00%	13,466,467	9,947,552
Salary increase rate	+1.00%	₱12,994,710	₱8,858,689
	-1.00%	(10,649,611)	(7,223,598)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring as at the end of the reporting period.

The cumulative remeasurement gains on net retirement benefit liability recognized in the consolidated statements of comprehensive income are as follows:

	2018		
	Cumulative Remeasurement Gains on Retirement Benefit Liability	Deferred Tax Benefit (Expense)	Net
Balances at beginning of year	₱21,796,244	(₱6,538,873)	₱15,257,371
Remeasurement losses	(12,584,023)	3,775,207	(8,808,816)
Balances at end of year	₱9,212,221	(₱2,763,666)	₱6,448,555

	2017		
	Cumulative Remeasurement Gains on Retirement Benefit Liability	Deferred Tax Expense	Net
Balances at beginning of year	₱6,935,296	(₱2,080,589)	₱4,854,707
Remeasurement gains	14,860,948	(4,458,284)	10,402,664
Balances at end of year	₱21,796,244	(₱6,538,873)	₱15,257,371

	2016		
	Cumulative Remeasurement Gains on Retirement Benefit Liability	Deferred Tax Expense	Net
Balances at beginning of year	₱680,970	(₱204,291)	₱476,679
Remeasurement gains	6,254,326	(1,876,298)	4,378,028
Balances at end of year	₱6,935,296	(₱2,080,589)	₱4,854,707

As at December 31, 2018, the maturity analysis of the undiscounted net retirement benefit liability is as follows:

Year	Amount
More than one year to five years	₱27,430,253
More than five years to 10 years	48,006,054
	₱75,436,307

As at December 31, 2018 and 2017, the average duration of the net retirement benefit liability at the end of the reporting period is 15.4 years and 17.0 years, respectively.

26. Registration with the Board of Investments (BOI)

On July 31, 2017, the BOI approved the application of the Parent Company as an expanding producer of cement in Bulacan on a nonpioneer status. Further, on August 23, 2017, SWCC was also registered with BOI as a new producer of cement on a nonpioneer status but with pioneer incentives for its facility in Cebu under the heading "All Qualified Manufacturing Activities including Agro-Processing" of the 2017 Investment Priorities Plan under Executive Order 226. The Parent Company and SWCC registrations with the BOI entitle them to the following fiscal and nonfiscal incentives:

- Income Tax Holiday (ITH) for income:
 - Directly attributable to Line 3 for three years from May 2018 or actual start of commercial operations, whichever is earlier; and
 - Directly attributable to Cebu Facility for six years from May 2020 or actual start of commercial operations, whichever is earlier than the date of registration.
- Importation of capital equipment, spare parts and accessories at zero duty;
- Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate;
- Importation of consigned equipment for a period of 10 years from date of registration, subject to posting of re-export bond;
- Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing export product and forming part thereof for a period of 10 years from start of commercial operation;
- Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of 10 years from date of registration;
- Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration; and,
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

In May 2018, the Group started commercial operations of Line 3. ITH incentive availed of by the Group in 2018 amounted to ₱171.5 million.

27. Income Taxes

The current income tax expense pertains to RCIT of the Parent Company. The ITH arising from BOI incentive of the Parent Company was applied starting May 2018. SWCC and KSHI have no current tax expense because of their taxable loss position. The components of income tax as reported in the consolidated statements of comprehensive income are as follows:

	2018	2017	2016
Reported in Profit or Loss			
Current	₱1,498,968,804	₱1,300,894,673	₱1,277,729,580
Deferred	(3,119,463)	(52,889,076)	19,922,686
	₱1,495,849,341	₱1,248,005,597	₱1,297,652,266
Reported in OCI			
Deferred tax expense on:			
Remeasurement gains (losses) on net retirement benefit liability	(₱3,775,207)	₱4,458,284	₱1,876,298
Revaluation surplus	–	30,781,184	18,668,114
	(₱3,775,207)	₱35,239,468	₱20,544,412

The components of the Group's net deferred tax liabilities are as follows:

	2018	2017
Deferred tax assets:		
Net retirement benefit liability	₱16,893,599	₱8,662,234
Provision for mine rehabilitation and decommissioning	8,569,670	8,195,462
Excess of cost over fair value of financial assets at FVPL	2,431,545	–
Unamortized past service cost	2,207,205	2,575,072
Unearned interest income	845,535	1,495,116
	30,947,554	20,927,884
Deferred tax liabilities:		
Excess of revalued amount or fair value over cost of property, plant and equipment and investment properties	567,894,858	567,894,858
Unrealized foreign exchange gains	4,298,115	80,635
Capitalized mine rehabilitation and decommissioning cost	4,283,059	5,353,824
Excess of fair value over cost of financial assets at FVPL	–	21,715
	576,476,032	573,351,032
Net deferred tax liabilities	₱545,528,478	₱552,423,148

The reconciliation between the provision for income tax based on statutory income tax rate and effective income tax rate is as follows:

	2018	2017	2016
Income tax at statutory tax rate	₱1,888,257,719	₱1,653,431,846	₱1,623,123,548
Increase (decrease) in income tax resulting from:			
Taxable income subject to income tax holiday	(171,472,607)	–	–
Interest income subjected to final tax	(163,503,579)	(65,759,335)	(26,198,036)
Nontaxable income	(130,743,300)	(58,717,965)	–
Nondeductible expenses	69,615,714	63,125,807	30,798,300
Dividend income exempt from income tax	(3,862,260)	(2,039,946)	(2,038,334)
Trading gain (loss) on financial assets at FVPL	3,425,643	(1,535,419)	–
Change in unrecognized deferred tax assets	2,998,159	(7,321,750)	8,789,262
Expired NOLCO	1,133,852	407,408	–
Difference arising from the use of optional standard deduction	–	(333,585,049)	(336,822,474)
Income tax at effective tax rate	₱1,495,849,341	₱1,248,005,597	₱1,297,652,266

The Group has an unrecognized deferred tax assets arising from NOLCO amounting to ₱7.7 million and ₱4.7 million as at December 31, 2018 and 2017, respectively.

28. Financial Risk Management Objectives and Policies

The Group's financial instruments consist mainly of cash and cash equivalents, financial assets at FVPL, trade and other receivables (excluding nonfinancial assets), finance lease receivables, DSRA, financial assets at FVOCI, long-term placements, deposit in escrow, restricted cash, refundable deposits, trade and other payables (excluding statutory payables and advances from customers) and loans payable.

The main financial risk arising from the Group's use of financial instruments includes market risk, credit risk and liquidity risk. The Group's BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

Market Risks

The Group is exposed to market risks, primarily those related to foreign currency risk, equity price risk and interest rate risk. Management actively monitors these exposures, as follows:

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the US Dollar and Euro with respect to foreign currency-denominated monetary financial assets and liability.

The following table shows the Group's US dollar-denominated financial assets and liability and their Philippine Peso equivalent:

	2018		2017	
	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial assets:				
Cash in banks	\$258,438	₱13,588,670	\$816,268	₱40,756,261
Deposit in escrow	870,479	45,769,793	858,226	42,851,241
	1,128,917	59,358,463	1,674,494	83,607,502
Financial liability -				
Trade and other payables	365,108	19,197,379	713,015	35,600,839
Net US Dollar-denominated financial assets	\$763,809	₱40,161,084	\$961,479	₱48,006,663

The following table shows the Group's Euro-denominated monetary financial asset and liability and their Philippine Peso equivalent:

	2018		2017	
	Euro	Philippine Peso	Euro	Philippine Peso
Financial asset -				
Cash in banks	€10,540	₱633,981	€10,540	₱628,395
Financial liability -				
Trade and other payables	1,500,219	90,238,173	695,455	41,463,027
Net Euro-denominated financial liability	€1,489,679	₱89,604,192	€684,915	₱40,834,632

For purposes of translating the outstanding balances of the Group's financial assets and liability denominated in a foreign currency, the exchange rates applied were ₱52.58 per US \$1 and ₱60.15 per €1 as at December 31, 2018 and ₱49.93 per US \$1 and ₱59.62 per €1 as at December 31, 2017.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2018	+0.98	₱748,533
	-0.98	(748,533)
December 31, 2017	+0.61	586,502
	-0.61	(586,502)

The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate, with all other variables held constant, of the Group's income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2018	+1.48	(P2,204,725)
	-1.48	2,204,725
December 31, 2017	+1.26	(862,993)
	-1.26	862,993

Equity Price Risk. Equity price risk is the risk that the Group will incur economic losses due to adverse changes in a particular stock or stock index. The Group's equity price risk arises from its financial assets at FVPL and financial assets at FVOCI.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The table below sets forth the impact of changes in PSE index (PSEi) in the Group's unrealized gain or loss on its financial assets at FVPL and financial assets at FVOCI in 2018 and 2017:

	2018		2017	
	17.62%	(17.62%)	11.69%	(11.69%)
Changes in PSEi				
Financial assets at FVPL in Property industry	P4,567,815	(P4,567,815)	P4,586,184	(P4,586,184)
Financial assets at FVOCI in Holding firms industry	10,591,411	(10,591,411)	7,639,372	(7,639,372)

Interest Rate Risk. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing loans payable to local financial institutions with fixed interest rates. Exposure of the Group to changes in the interest rates is not significant.

Credit Risk

The Group's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost.

The carrying amounts of financial assets at amortized costs represent its maximum credit exposure.

Trade Receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management.

The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. The Group provides credit limits to all its accredited customers to manage credit risk concentrations. Further, as a policy, the Group revenue transactions are significantly entered into on a cash basis to manage its credit risk exposure. The Group's cash sales account for an average of 78% of the total revenues for the past three years. Historically, trade receivables are substantially collected within one year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. In monitoring customer credit risk, the Group classifies its receivables as major term customers, related parties, and other regular term customers.

At December 31, 2018 and 2017, the exposure to credit risk for trade receivables by type of counterparty are as follows:

	2018		
	Neither Past due nor Impaired	Past Due but not Impaired	Total
Major term customers	P130,701,265	P140,304,138	P271,005,403
Related parties	12,621,996	22,080,292	34,702,288
Others	61,651,006	21,520,196	83,171,202
	P204,974,267	P183,904,626	P388,878,893

	2017		
	Neither Past due nor Impaired	Past Due but not Impaired	Total
Major term customers	P124,526,912	P93,483,533	P218,010,445
Related parties	3,694,080	213,708,840	217,402,920
Others	40,501,009	15,996,495	56,497,504
	P168,722,001	P323,188,868	P491,910,869

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and offsetting arrangements. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment (i.e., gross national income from real estate and construction industry). At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Aging Analysis of Trade Receivables that are Past Due but not Impaired

Days Past Due	2018	2017
1 to 30 Days	P140,257,582	P116,113,620
31 to 90 Days	35,602,734	143,543,335
91 to 365 Days	2,022,680	58,487,096
366 days or more	6,021,630	5,044,817
Total	P183,904,626	P323,188,868

Trade receivables that are past due for over 30 days were not considered in default since it was demonstrated that the non-payment was due to administrative oversight rather than resulting from financial difficulty of the borrower.

Other Financial Assets at Amortized Cost

The Group's other financial assets at amortized cost are mostly composed of cash in banks such as cash and cash equivalents, DSRA, deposit in escrow, restricted cash, and long-term placements. The Group limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For finance lease receivables, credit risk is reduced by the net settling arrangements embodied in the contract. For refundable deposits, credit risk is low since the Group only transacts with reputable companies with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

Financial Assets at Fair Value through Profit or Loss

The entity is also exposed to credit risk in relation to debt securities that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2018				
	Financial assets at amortized cost				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Financial assets at FVPL	Total
Cash in banks and cash equivalents	₱16,176,157,980	₱–	₱–	₱–	₱16,176,157,980
Finance lease receivables	–	42,738,080	–	–	42,738,080
Long-term placements	650,000,000	–	–	–	650,000,000
DSRA	279,945,691	–	–	–	279,945,691
Deposit in escrow	45,769,793	–	–	–	45,769,793
Refundable deposits	14,914,011	–	–	–	14,914,011
Restricted cash	26,482,096	–	–	–	26,482,096
Other receivables	42,828,060	26,340,885	–	–	69,168,945
Debt securities at FVPL	–	–	–	68,691,015	68,691,015
	₱17,236,097,631	₱69,078,965	₱–	₱68,691,015	₱17,373,867,611

	2017				
	Financial assets at amortized cost				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Financial assets at FVPL	Total
Cash in banks and cash equivalents	₱16,737,987,581	₱–	₱–	₱–	16,737,987,581
Finance lease receivables	–	63,677,735	–	–	63,677,735
DSRA	129,304,272	–	–	–	129,304,272
Deposit in escrow	42,851,241	–	–	–	42,851,241
Refundable deposits	19,146,887	–	–	–	19,146,887
Restricted cash	8,757,247	–	–	–	8,757,247
Other receivables	94,893,500	30,881,668	–	–	125,775,168
Debt securities at FVPL	–	–	–	75,068,987	75,068,987
	₱17,032,940,728	₱94,559,403	₱–	₱75,068,987	₱17,202,569,118

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Group's objectives in effectively managing its liquidity are: (a) to ensure that adequate funding is available at all times; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The tables below present the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted obligations or on the estimated timing of net cash flows as at December 31, 2018 and 2017:

	2018					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Trade and other payables*	₱982,392,653	₱1,414,858,923	₱329,157,465	₱254,480,007	₱–	₱2,980,889,048
Loans payable	–	300,357,774	1,149,876,352	7,220,336,249	1,626,199,568	10,296,769,943
	₱982,392,653	₱1,715,216,697	₱1,479,033,817	₱7,474,816,256	₱1,626,199,568	₱13,277,658,991

*Excluding nonfinancial and statutory liabilities amounting to ₱393.8 million as at December 31, 2018.

	2017					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Trade and other payables*	₱55,542,666	₱2,346,438,003	₱371,963,919	₱–	₱–	₱2,773,944,588
Loans payable	–	130,035,414	917,862,158	7,286,661,700	3,010,108,244	11,344,667,516
	₱55,542,666	₱2,476,473,417	₱1,289,826,077	₱7,286,661,700	₱3,010,108,244	₱14,118,612,104

*Excluding nonfinancial and statutory liabilities amounting to ₱498.3 million as at December 31, 2017.

Capital Management

The primary objective of the Group's capital management is to secure ongoing financial needs of the Group to continue as a going concern as well as to maintain a strong credit standing and healthy capital ratio in order to support the business and maximize stockholder value.

The Group considers equity contributions from stockholders and retained earnings as its capital totaling ₱31,488.9 million and ₱28,025.7 million as at December 31, 2018 and 2017, respectively. The Group manages the capital structure and makes adjustments when there are changes in economic conditions, business activities, expansion programs, and the risk characteristics of the underlying assets. In order to manage the capital structure, the Group may adjust its borrowings, adjust dividend payment to shareholders, or raise equity.

The Group is not subjected to externally-imposed capital requirements.

No changes were made in the capital management objectives, policies, or processes in 2018 and 2017.

29. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets measured at fair value and asset and liability for which fair value is disclosed and the corresponding fair value hierarchy:

	Note	2018			
		Carrying Amount	Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value:					
Financial assets at FVPL	5	₱181,560,935	₱181,560,935	₱-	₱-
Financial assets at FVOCI	9	100,012,500	100,012,500	-	-
Land	10	2,633,104,897	-	-	2,633,104,897
Investment properties	11	1,188,021,000	-	-	1,188,021,000
Asset for which Fair Value is Disclosed -					
Finance lease receivables	30	42,738,080	-	42,072,962	-
		₱4,145,437,412	₱281,573,435	₱42,072,962	₱3,821,125,897

Liability for which fair value is disclosed

Financial liabilities at amortized cost -					
Loans payable	16	₱8,322,574,321	₱-	₱8,062,975,627	₱-

	Note	2017			
		Carrying Amount	Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value:					
Financial assets at FVPL	5	₱215,626,947	₱215,626,947	₱-	₱-
Financial assets at FVOCI	9	109,280,325	109,280,325	-	-
Land	10	2,479,847,510	-	-	2,479,847,510
Investment properties	11	587,430,000	-	-	587,430,000
Asset for which Fair Value is Disclosed -					
Finance lease receivables	30	63,677,735	-	65,533,949	-
		₱3,455,862,517	₱324,907,272	₱65,533,949	₱3,067,277,510

Liability for which Fair Value is Disclosed

Financial liabilities at amortized cost -					
Loans payable	16	₱8,844,814,815	₱-	₱9,054,413,591	₱-

The Group used the following techniques to determine fair value measurements:

- *Financial Asset at FVPL and Financial Assets at FVOCI.* The Company's quoted financial assets at FVPL and financial assets at FVOCI as at December 31, 2018 and 2017 are carried at fair values based on quoted market prices from active markets classified under the Level 1 category.

- *Land.* The fair value of land was estimated based on appraisals performed by an independent, professionally-qualified property appraiser and was determined with reference to the latest transacted prices for identical or similar properties. The fair valuation is classified under Level 3 category.

Land was revalued on January 20, 2019 and February 15, 2018. The Group's management has determined that the effect of changes in fair values between the previous revaluation and the reporting date is immaterial.

The significant unobservable inputs used in the fair value measurement of the Group's land (included under "Property, plant and equipment" account) are the estimated net price per square meter and various factors such as size, location, and utility, among others. Significant increases (decreases) in the estimated net price per square meter in isolation would result in a significantly higher (lower) fair value measurement. Further, choosing comparables with different inputs would result in a significantly different fair value measurement.

The Group has determined that the current use of the land classified as property, plant and equipment as at December 31, 2018 is its highest and best use.

- *Investment Properties.* The fair value of investment properties was estimated based on appraisals performed by an independent, professionally-qualified property appraiser and was determined with reference to the latest transacted prices for identical or similar properties. The fair valuation is classified under Level 3 category.

The significant unobservable inputs used in the fair value measurement of the Group's land (included under "Investment properties" account) are the estimated net price per square meter and various factors such as size, location, and utility, among others. Significant increases (decreases) in the estimated net price per square meter in isolation would result in a significantly higher (lower) fair value measurement. Further, choosing comparables with different inputs would result in a significantly different fair value measurement.

The highest and best use of the land classified as investment property as at December 31, 2018 would be to use it for construction of building to be held for rental. As at February 28, 2019, the Group has not yet started any development in the property.

- *Finance Lease Receivable.* The fair value of the finance lease receivables was determined as the sum of all the future cash flows discounted using the prevailing market rates of instruments with similar maturities. The discount rates used range from 4.26% to 5.29% in 2018 and 2017.
- *Loans Payable.* The fair value of loans payable is estimated as the sum of all the future cash flows, discounted using the prevailing market rates of interest for instruments with similar maturities. The discount rates used range from 5.81% to 6.36% and 4.7% as at December 31, 2018 and 2017, respectively. The fair valuation is classified under Level 2 category.

There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 2018 and 2017.

The table below presents the financial assets and liabilities whose carrying amounts approximate their fair values as at December 31, 2018 and 2017:

	2018	2017
Financial assets at amortized cost:		
Cash and cash equivalents	₱16,176,951,641	₱16,738,683,868
Long-term placement	650,000,000	–
Trade and other receivables*	458,047,838	617,686,037
DSRA	279,945,691	129,304,272
Deposit in escrow	45,769,793	42,851,241
Restricted cash	26,482,096	8,757,247
Refundable deposits	14,914,011	19,146,887
Total financial assets	₱17,652,111,070	₱17,556,429,552
Financial liability at amortized cost -		
Trade and other payables**	₱2,980,889,048	₱2,773,944,588

*Excluding nonfinancial assets and current portion of finance lease receivables aggregating ₱11.6 million and ₱13.1 million as at December 31, 2018 and ₱8.7 million and ₱17.4 million as at December 31, 2017.

**Excluding nonfinancial liabilities amounting to ₱393.8 million and ₱498.3 million, as at December 31, 2018 and 2017, respectively.

Current Financial Assets and Liability. The carrying amounts of cash and cash equivalents, trade and other receivables, DSRA and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

Other Noncurrent Assets. The carrying amount of long-term placements, deposit in escrow, restricted cash, and refundable deposits approximate fair value. Management believes that the effect of discounting the future receipts from these financial instruments using the prevailing market rates is insignificant.

30. Commitments and Contingencies

MPSA

The Group has the following key commitments under its MPSA:

- Payment to the Philippine Government of 4% excise tax of the market value of the minerals or mineral products extracted from the area and annual occupation fee based on the rate provided in the existing rules and regulations.

Excise taxes paid to the Philippine Government amounted to ₱22.8 million, ₱4.9 million and ₱5.6 million in 2018, 2017 and 2016, respectively.

- Payment to indigenous cultural communities of royalty fee of not less than 1% of the value of the gross output of minerals sold.
- Allotment of a minimum of 1% of the direct drilling and milling costs necessary to implement the activities for community development.

Pursuant to Administrative Order No. 2010-21: "Revised Implementing Rules and Regulations of RA No. 7942, otherwise known as the Philippine Mining Act of 1995," the allotment for community development activities was revised to 1.5% of the operating costs.

As at December 31, 2018, 2017 and 2016, the Group is compliant with the foregoing commitments and obligations.

Finance Lease Commitments - Group as a Lessor

The Group entered into various lease agreements with its haulers covering certain items of transportation equipment. The lease term is five years and the annual effective interest rate ranges from 4.26% to 4.47%. The balances and movements of finance lease receivables as at and for the years ended December 31, 2018 and 2017 are as follows:

	Note	2018	2017
Minimum Lease Receivables			
Balance at beginning of the year		₱68,799,107	₱84,084,821
Collections		(21,111,623)	(12,229,713)
Transfer to other receivables		233,382	(9,663,144)
Cancellation		(6,069,693)	–
Additions		3,705,358	6,607,143
Balance at end of year		45,556,531	68,799,107
Unearned Interest Income			
Balance at beginning of the year		5,121,372	7,814,921
Additions		371,865	786,678
Reclassification adjustments		233,382	137,652
Preterminated		(371,032)	–
Accretion	4	(2,537,136)	(3,617,879)
Balance at end of year		2,818,451	5,121,372
		₱42,738,080	₱63,677,735

The accretion of unearned interest income on lease receivable is recorded as part of "Interest income" account in the consolidated statements of comprehensive income.

In 2018, the Group cancelled its finance lease contract with three haulers and recognized a loss on pretermination amounting to ₱6.2 million (see Note 23). The related trucks reacquired were recorded at the deemed cost as at date of termination.

Finance lease receivables are classified in the consolidated statements of financial position as at December 31, 2018 and 2017 as follows:

	2018		
	Current	Noncurrent	Total
Gross amount	₱14,884,303	₱30,672,228	₱45,556,531
Less unearned interest income	1,767,665	1,050,786	2,818,451
	₱13,116,638	₱29,621,442	₱42,738,080
2017			
	Current	Noncurrent	Total
Gross amount	₱19,910,714	₱48,888,393	₱68,799,107
Less unearned interest income	2,473,385	2,647,987	5,121,372
	₱17,437,329	₱46,240,406	₱63,677,735

As at December 31, 2018 and 2017, the gross amount of the future minimum rental receivables under the lease contracts is as follows:

	2018	2017
Within one year	₱14,884,303	₱19,910,714
After one year but not more than five years	30,672,228	48,888,393
	₱45,556,531	₱68,799,107

Operating Lease Commitments - Group as a Lessee

The Group has various operating lease agreements primarily for its office space, warehouse and heavy equipment with periods ranging from one year to 10 years.

Rental expense was distributed as follows:

	Note	2018	2017	2016
Included in profit or loss:				
Cost of goods sold	21	₱224,568,896	₱166,304,770	₱120,451,690
Operating expenses	22	24,611,787	16,633,859	5,432,002
		249,180,683	182,938,629	125,883,692
Recognized as component of inventories				
		9,981,465	10,671,084	14,902,156
		₱259,162,148	₱193,609,713	₱140,785,848

Future minimum lease commitments under noncancellable operating leases as at December 31, 2018 and 2017 are as follows:

	2018	2017
Within one year	₱8,636,566	₱5,648,000
After one year but not more than five years	12,880,404	17,380,000
More than five years	–	4,080,000
	₱21,516,970	₱27,108,000

Legal Claims

The Group is either a defendant or plaintiff in several civil cases primarily involving claims for damages. The outcomes of the legal proceedings for various cases are not presently determinable. Accordingly, no provision for any liability has been made in the consolidated financial statements.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations.

31. EPS

Basic and diluted EPS are calculated as follows:

	2018	2017	2016
Net income	₱4,798,343,056	₱4,263,433,888	₱4,112,759,561
Less dividends for cumulative preferred stock required for the year, net of tax	174,342,857	174,342,857	174,342,857
Net income attributable to common stockholders of the Parent Company	₱4,624,000,199	₱4,089,091,031	₱3,938,416,704
Weighted average number of common shares outstanding			
	5,000,000,000	4,795,890,412	4,500,000,000
Per share amounts: Basic and diluted EPS			
	₱0.92	₱0.85	₱0.88

Diluted earnings per share is equal to the basic earnings per share since the Group does not have potential dilutive shares.

32. Segment Reporting

The Group is organized into one reportable segment which is the quarrying, manufacturing and sale and distribution of cement products. KSHI, the Parent Company's wholly-owned subsidiary that will be engaged in property leasing has not yet started its commercial operations. The Group also has one geographical segment and derives all its revenues from domestic operations. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

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The Company's common stock is listed and traded
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**Respect for biodiversity
is part of the foundation
of our sustainability.**

The responsible management and proactive conservation efforts of Eagle Cement include a thorough flora and fauna count in the areas where we operate. This ensures continued production without harm to the local ecosystem in San Ildefonso, Bulacan.

www.eaglecement.com.ph

